High noon in Moscow
Yeltsin's showdown with parliament
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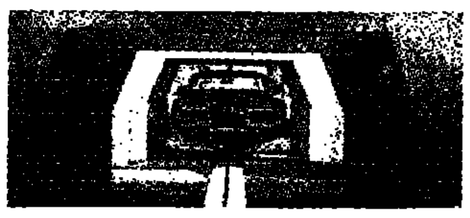

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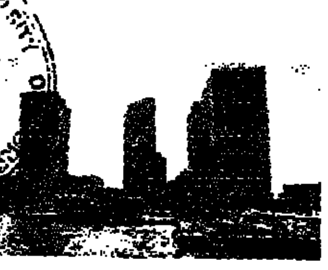

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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY MARCH 10 1993 — D8523A

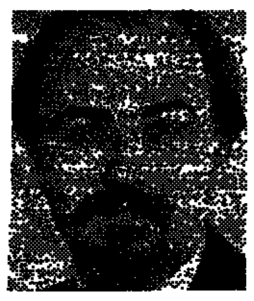
Mideast peace talks to resume in Washington

Israel's state television said last night that Middle East peace talks involving Israel, Syria, Lebanon, Jordan and the Palestinians would resume in Washington on April 19. Earlier in London, the British government held its first ministerial-level meeting with the Palestine Liberation Organisation for more than two years and urged the Palestinians to return to the negotiating table. **Peace process deadlocked, Page 4**

German chemical profits slump: Further cost-cutting measures by the German chemicals industry are expected after pre-tax profits fell 41 per cent at BASF to DM1.24bn ($740m) and by 17.7 per cent to DM2.1bn at Hoechst. **Page 15; Lex, Page 14**

Krupp to close steelworks: The crisis in the German steel industry is forcing the closure of Krupp Stahl's Rheinhausen steel mill in the Ruhr, with the loss of 2,500 jobs. **Page 3; IG Metall calls strike, Page 14**

New editor for Economist magazine



Bill Emmott (left) will succeed Rupert Pennant-Rea as editor of the UK magazine The Economist at the end of the month when Pennant-Rea takes up the deputy governorship of the Bank of England. Emmott is currently the magazine's business affairs editor. **Observer, Page 13**

Medicines pact urged: Henry Wendt, chairman of Anglo-American drugs company SmithKline Beecham, called for a social contract between the pharmaceuticals industry and society following US president Bill Clinton's criticism of the cost of medicines. **Page 14**

Maastricht worries: Some European diplomats openly speculated about UK prime minister John Major's ability to deliver ratification of the Maastricht treaty on European union following his parliamentary defeat on Monday. **Page 14**

Kanemaru gold haul: The Tokyo prosecutor seized 100kg of gold bars, worth about Y1bn ($8.3m), from the office of Mr Shin Kanemaru, until last year a powerful figure in the Liberal Democratic party, who is being investigated for alleged tax evasion. **Page 14**

Renault truck arm in the red: French truckmaker Renault Véhicules Industriels reported a FFr1.62bn ($287m) net loss for 1992, with a 38 per cent drop in European sales in the second half. **Page 15**

Tungsram's gloomy results: Hungarian lightbulb group Tungsram, in which General Electric of the US has a 75 per cent stake, suffered a a Ft9bn ($104m) loss in 1992, raising speculation that GE might buy out Hungarian Credit Bank's minority holding. The state-owned bank needs resources to cope with its own difficulties. **Page 17**

Saatchi's £600m write-off: International advertising group Saatchi and Saatchi wrote off £600m ($850m) of goodwill associated with US acquisitions made when the group was expanding in the 1980s. Excluding the write-offs, the underlying position of the group for 1992 showed a pre-tax profit of £18.9m, against 1991's losses of £47.2m. **Page 15**

Shake-up at Hillsdown: UK food group Hillsdown Holdings announced a £92.3m extraordinary provision within its 1992 results to cover a wide-ranging reorganisation. Group pre-tax profits fell by 17.5 per cent to £154.1m ($218.8m). **Page 21; Lex, Page 14**

Generators pressed to sell: National Power and PowerGen, main electricity generators in England and Wales, were pressed by the industry's regulator to offer for sale 11 power stations they plan to close. **Page 8**

De Beers, South African company which dominates the world diamond market, kept the cut in its 1992 dividend to 29 per cent after announcing a 35 per cent fall in earnings for the year. Pre-tax profits on the diamond account fell 20 per cent to $644m. **Page 15**

Poorest get poorer: Per capita incomes in the poorest developing countries are falling and economic reform programmes are threatened by recession and inadequate international support, the United Nations Conference on Trade and Development said. **Page 6**

■ STOCK MARKET INDICES		
FT-SE 100:	2949.9	(-7.4)
Yield	4.08	
FT-SE Eurotrack 100	1164.26	(-0.78)
FT-A All-Share	1435.58	(-0.2%)
Nikkei	17,848.30	(+161.83)
New York: lunchtime		
Dow Jones Ind Ave	3487.26	(-2.16)
S&P Composite	454.87	(-0.64)
■ US LUNCHTIME RATES		
Federal Funds:	3%	
3-mo Treas Bills: Yld	3.044%	
Long Bond	185 1/16	
Yield	6.727%	
■ LONDON MONEY		
3-mo Interbank	5 11/16%	(same)
Liffe long gilt future:	Mar 105 11/32	(Mar106 3/16)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Apr)	$19.12	(19.14)
■ Gold		
New York Comex (Apr)	$327.2	(327.7)
London	$326.45	(327.15)

■ STERLING		
New York lunchtime:		
$	1.4345	
London:		
$	1.435	(1.4455)
DM	2.3925	(2.4025)
FFr	8.115	(8.1425)
SFr	2.215	(2.2225)
Y	168.5	(same)
£ Index	77.3	(77.6)
■ DOLLAR		
New York lunchtime:		
DM	1.66815	
FFr	5.657	
SFr	1.5425	
Y	117.8	
London:		
DM	1.6675	(1.6625)
FFr	5.655	(5.6325)
SFr.	1.543	(1.538)
Y	117.35	(117.6)
$ Index	66.7	(66.3)
Tokyo close Y 116.93		

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.90	Norway	NKr16.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Retreat by Amato over soft line on corruption

By Robert Graham in Rome

MR GIULIANO AMATO, the Italian prime minister, yesterday withdrew plans to deal leniently with those implicated in the country's widening corruption scandals, staving off the immediate threat of a government crisis.

Share prices fell in Milan and the Bank of Italy was forced to intervene to support the lira during a tense day which began with the arrests of two more leading industrialists and was rife with rumours that Mr Amato was preparing to resign.

A degree of calm later returned to the markets when the cabinet decided to beat a humiliating retreat over its controversial plan to bring a "political" solution to corruption scandals in which more than 1,000 politicians, businessmen and government officials have been implicated.

Before the decision, spokesmen for the two main partners in the fragile four-party coalition, the Christian Democrats and Socialists, ruled out any change of government and stressed their confidence in Mr Amato. The prime minister himself had earlier met President Oscar Luigi Scalfaro, who also rejected the idea of Mr Amato resigning.

Christian Democrat and Socialist leaders stressed the danger of bringing down the government, with the almost inevitable consequences of early elections.

Even the majority of opposition parties admitted they did not want elections before new laws are introduced to modernise the system of proportional representation.

The climate of uncertainty was fuelled by news that Mr Gabriele Cagliari, president of ENI, the state oil concern, had been arrested. Mr Cagliari, head of ENI since 1989, was reported to have offered his resignation last night. He was arrested with Mr Franco Ciatti, the president of Nouvo Pignone, ENI's turbines subsidiary, on charges of alleged corruption relating to power industry contracts.

The government's problems stemmed from a decision on Friday to introduce a decree laying down new rules for controlling the financing of political parties. Illicit funding of the parties through kickbacks on contracts has emerged as the central element in the corruption scandals.

With the apparent backing of his four coalition partners, Mr Amato and Mr Giovanni Conso, the new justice minister, decided to make illicit financing of the parties no longer a criminal offence, and make the change retroactive. Instead, it was to be treated as an administrative offence, punished by fines, and judged by a government-appointed prefect.

Faced with an unexpected wave of popular protest, hostility from the magistrates and vehement criticism from opposition parties, Mr Scalfaro refused to sign the decree. He argued the timescale of the decree, which had to be approved in its entirety or rejected within 60 days, conflicted with the forthcoming referendum on April 18 seeking to abolish public financing of political parties.

The government yesterday accepted the president's arguments and went further. The cabinet agreed to submit altered proposals for discussion as a law in parliament and accepted the principle that illicit financing was a criminal matter.

These new principles mean that all members of parliament for whom immunity is waived risk prison sentences.

Yesterday the parliamentary commission on immunity decided to waive it on Mr Bettino Craxi, the former Socialist leader and prime minister. If the full house endorses this, Mr Craxi will face charges of alleged corruption, illicit party financing and receiving illicit funds.

Background, Page 2

French fishermen protesting at the low price of imported fish attack a refrigerated storage area at Nantes airport. In Britain, English trawlermen at the east coast port of Grimsby prevented French fish being unloaded for the second day running. Page 8

Brussels aims to open competition in EC telecoms

By Andrew Hill in Brussels

A FAR-REACHING plan to open all domestic and international telephone calls in the European Community to competition is being considered by the European Commission.

The plan would aim to cut the cost of calls and improve the efficiency of Community telecommunications operators.

Brussels originally favoured opening the market for EC cross-border calls only. But senior Commission officials believe the next wave of EC telecoms legislation should go further.

They are urging the EC to set itself a more ambitious and controversial target of full liberalisation of "voice telephony". This could include all domestic and cross-border calls within the EC, and calls to countries outside the Community. Person-to-person calls represent 80-90 per cent of the EC market.

Nearly six months of consultations are said to have demonstrated that most operators and almost all consumers favour far-reaching liberalisation and harmonisation proposals, partly for practical reasons.

Officials will not reveal their ideal timetable for liberalisation, but hope to achieve open competition within 10 years. Poorer EC member states, such as Portugal, Greece, Spain and Ireland, could be given longer to modernise their telephone networks.

Commission consultations will end with two meetings between the Commission, operators and regulators at the end of this month. Mr Martin Bangemann, EC telecoms commissioner, and Mr Karel Van Miert, responsible for competition, should decide whether to press for full liberalisation soon after. Mr Bangemann's spokesman said yesterday the commissioner did not yet have a view on the matter.

Officials hope to receive political support for their plan at the scheduled meeting of EC telecoms ministers on May 10. The first phase of draft legislation would follow later this year.

The main battles between member states are likely to be fought over the timing of a phased programme of legislation. Member states will also have to work out how to safeguard public monopolies' commitment to provide an equal service to all consumers.

Continued on Page 14
Editorial Comment, Page 13

Russian economic reforms in jeopardy

By John Lloyd in Moscow

RUSSIAN opposition forces are poised to derail economic reform and seriously undermine President Boris Yeltsin's ability to govern, a senior Russian minister warned yesterday.

Mr Alexander Shokhin, the deputy prime minister for foreign economic affairs, said the future of the reforms hung on decisions to be taken today or tomorrow by an extraordinary session of the Russian Congress of Peoples Deputies.

In an interview with the Financial Times, Mr Shokhin said he expected deputies to vote on a motion to change the constitution which would put the power of choosing the government in the hands of the parliament – a move which would see a new government chosen in the next few weeks or months.

"They [the Congress] now have the best chance of changing the government that they have ever had," he said, adding that anti-presidential forces had grown stronger at every Congress.

Mr Shokhin's warning came as diplomats in Bonn revealed that Mr Helmut Kohl, the German chancellor, has written to fellow western leaders urging their support for Mr Yeltsin in his constitutional struggle. In particular, Mr Kohl has passed on a query from Mr Yeltsin, asking for confirmation of western political support if he is forced to introduce emergency measures.

Yesterday Mr Ruslan Khasbulatov, the parliamentary speaker, dismissed Mr Yeltsin's most recent proposals on constitutional reform. The draft law proposed by Mr Yeltsin if parliament did not agree to his preferred option of a referendum, was "not serious" and should not be considered, Mr Khasbulatov said.

But Mr Vladimir Shumeiko, deputy prime minister, said if Mr Yeltsin was denied a referendum or an agreement, he would run his own plebiscite. When supported by the people, he would take "certain action against other branches of power."

Mr Shokhin said that, if the Congress accepted proposals framed last week by Mr Yeltsin, the government would tighten monetary and credit policy. If not "we will continue to try but it will be much more difficult".

He said if Congress "makes one little amendment it will have power over the cabinet. This means that we would have a new government which would put forward a soft economic policy".

The government was prepared to compromise with parliament

Continued on Page 14
Afloat on a cruel sea, Page 13

Weill set to buy back Shearson for $1bn

By Alan Friedman and Patrick Harverson in New York

MR SANFORD WEILL, the Wall Street entrepreneur who built the Shearson brokerage empire in the 1970s before selling it to American Express, is about to recapture his creation for $1bn.

The financial services and travel group, whose image has been tarnished lately by bitter boardroom battles, is understood to be only days away from selling Shearson's retail brokerage and asset management businesses which suffered heavy losses last year. It bought Shearson for $900m in 1981.

Mr Weill, a former American Express president who left the company in 1985, now runs Primerica, the US financial services group which already owns Smith Barney, another broker. The purchase of Shearson would represent a return to the kind of daredevil deal-making that made the 59-year-old Brooklyn native a Wall Street legend in the 1970s.

The proposed sale would create a securities powerhouse to rival Merrill Lynch as the biggest broker in the US, with combined annual revenues of more than $13bn, almost 500 branches and 11,400 brokers. It would also give Primerica ownership of commercial property in Manhattan, including a 40-storey office block and adjacent computer centre.

Primerica and American Express yesterday confirmed the Shearson talks. One American Express executive said: "My sense is that we are almost there. The agreement could happen within the next day or two." The two companies discussed a similar proposal three years ago, but the talks stalled.

Lehman Brothers, the investment banking arm of the Shearson group, has been left out of the present negotiations. It was, however, learnt yesterday that a management buy-out is being discussed by senior executives at Lehman Brothers.

American Express insiders think it likely that the group, keen to bolster capital and focus on its core travel and card businesses, will eventually agree to a Lehman buy-out.

Mr Weill started on Wall Street as a trading floor clerk for Bear Stearns, forming his own brokerage firm in the 1960s when still in his 20s. After selling Shearson in 1981, he became president of American Express. In 1985, he became one of several presidents to leave during the chairmanship of Mr James Robinson, who was himself forced to resign last month.

Mr Weill, whose lawyers were yesterday examining the draft agreement, is a close friend of Mr Harvey Golub, the man who replaced Mr Robinson as chief executive of American Express. It was Mr Weill, a godfather to Mr Golub's son, who hired Mr Golub to run an American Express subsidiary in 1983.

News of the talks was well received by the markets. Primerica's share price jumped by $2⅞ to $42⅞ and American Express's rose more than $1 before settling at $27⅛, up by $¾.

Shearson has been a big burden to its parent in recent years. It lost more than $900m in 1990, and after a brief return to profitability in 1991, racked up a loss of $116m last year.

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 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Craxi loses immunity in bribes case

By Robert Graham in Rome

THE pugnacious battle fought by Mr Bettino Craxi, the former Socialist leader, to avoid facing charges of alleged corruption suffered a serious blow yesterday.

The special parliamentary commission dealing with magistrates' petitions for waiving immunity yesterday decided there was sufficient grounds for Mr Craxi to face the allegations on three counts. A final decision will be taken by the full house; but in the past it has been rare for the recommendation of the commission to be ignored.

The decision to waive his immunity is the first time parliament has decided such an action in the case of a former party secretary. Immunity has already been waived in the case of Mr Gianni de Michelis, the former foreign minister and deputy Socialist leader, who is facing corruption charges over alleged bribes linked to construction contracts in Venice.

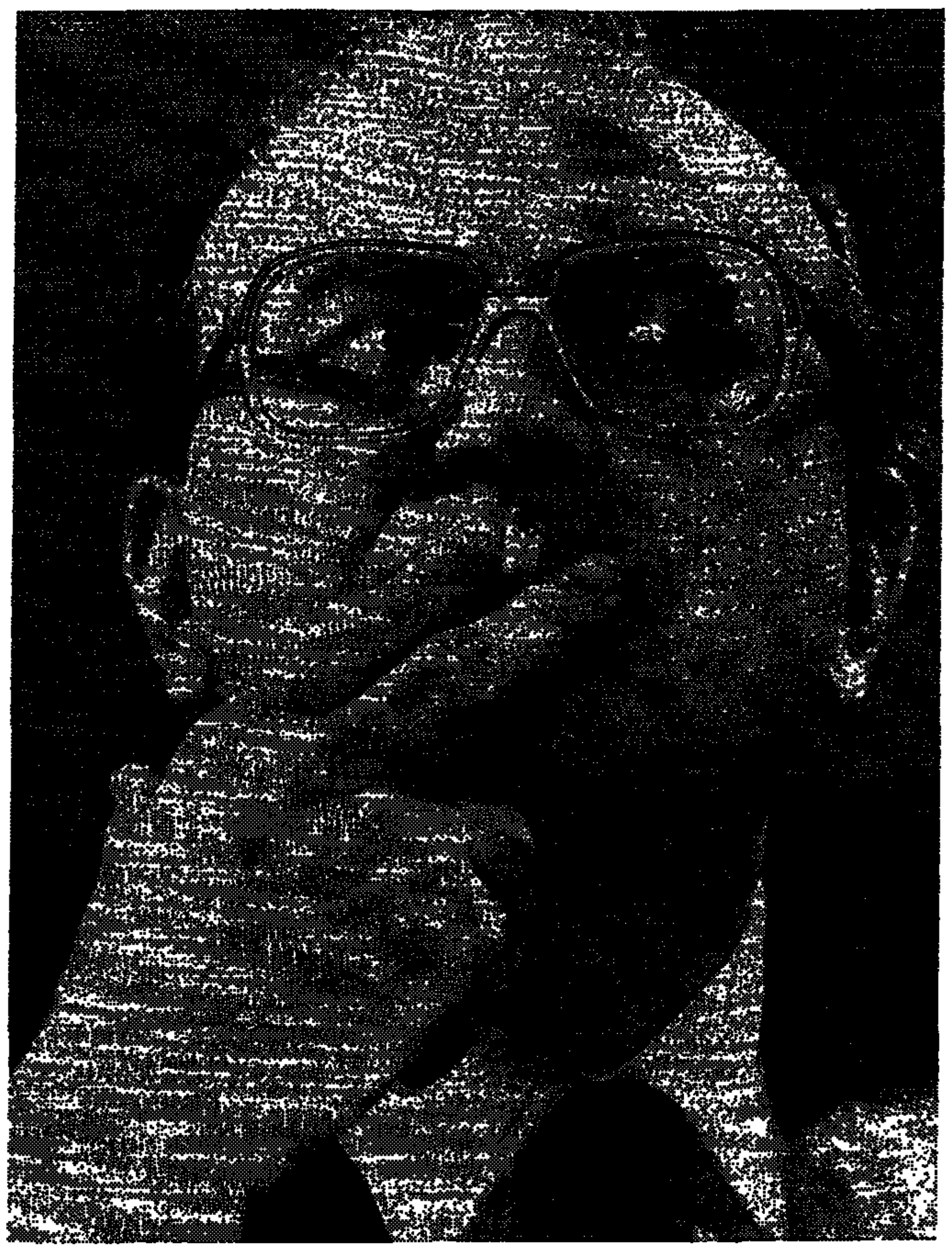
Milan magistrates have sent a dossier to parliament listing more than 40 incidents in which Mr Craxi is alleged to have received illicit funds for his party to the tune of L36bn (£16.4m). They asked parliament to allow them to proceed with charges on separate counts of corruption, illicit party funding and receiving stolen funds.

The Socialist members of the commission sought to limit the waiving of immunity on the two lesser counts of corruption and illicit party funding. But the commission accepted all three.

More than 50 deputies and senators have so far received notice they are under investigation in Italy's wave of corruption scandals; and yesterday two more were caught in the net, including Mr Francesco Cafarelli, the Christian Democrat deputy who is currently secretary of parliament's anti-Mafia commission. But at the beginning of this month documentation for only 45 requests to have immunity waived to face corruption charges had been received.

Mr Craxi was not present at yesterday's hearing but sent a letter repeating earlier allegations that Milan magistrates were waging a deliberate campaign to discredit him and the Socialist party.

Mr Craxi was first served notice he was under investigation for alleged corruption on December 15. Since then he has received 11 other cautions. Hearings have not covered investigations into the transfer of funds to a Swiss bank account for the Socialist party by the late Mr Roberto Calvi, head of Banco Ambrosiano.



Craxi: more than 40 instances of illegal funding have been alleged

Eni chief joins the corruption scandal list

By Haig Simonian in Milan

MR Gabriele Cagliari, the chairman of Italy's Eni energy and chemicals state holding company, has been arrested on charges of alleged corruption and illegal funding of political parties. Separately, Mr Franco Ciatti, chairman of Eni's Nuovo Pignone turbines and compressors subsidiary, was arrested on corruption charges.

Mr Cagliari is the most senior businessman to be detained by Milan magistrates investigating contracts from the Enel state electricity authority since a sweep of Enel's contractors began last month. The arrests, in connection with contracts for gas turbines for Enel power stations, had an immediate impact on the Milan stock exchange. Coupled with growing uncertainty about the future of the government of Mr Giuliano Amato, the Comit equity index fell by 17.11 points to 511.02, while the lira came under heavy pressure, dropping to L965.38 against the D-Mark.

The involvement of Nuovo Pignone in the corruption investigations could represent a blow to the government's ambitious privatisation programme, as the company is one of the top candidates on the list of planned disposals. Yesterday Nuovo Pignone's works council called on the government to suspend the privatisation, citing the need for maximum transparency. The arrest of Mr Cagliari could also set back plans at Eni, which hopes to float stakes in its Agip petroleum and Snam gas distribution operations, as well as sell smaller subsidiaries.

Mr Piero Barucci, the Treasury Minister, yesterday stressed the arrest would not affect Eni's operations. Under changes pushed through by the government last year, everyday responsibility for running the company had passed to its managing director, Mr Franco Bernabe. In a statement, Eni said its board would be meeting soon to consider the implication of Mr Cagliari's arrest.

Eni had already come under judicial scrutiny earlier this year, when Mr Cagliari was informed by Rome magistrates that he could face prosecution.

The list of those arrested, and mostly released, includes Mr Giampiero Pesenti, chairman of the Italmobiliare holding company which controls the Franco Tosi engineering group, Mr Roberto Fochi, chairman of Filippo Fochi, a listed engineering concern, and Mr Aldo Belleli, managing director of the big Belleli plant building and engineering group.

According to leaked testimony, Mr Ciatti admitted to having paid L4bn (£1.8m) in kickbacks, equivalent to 10 per cent of the orders received from Enel. The money was paid into an unspecified foreign bank account.

MEPs call for EC jobs package

By Lionel Barber in Strasbourg

MEMBERS of the European Parliament yesterday called for a reflationary jobs package for Europe, warning that rising unemployment was undermining public confidence in the European Community and European union.

During a debate on the European Commission's annual economic report for 1993, MEPs criticised as "timid" the EC growth package agreed by member states at the Edinburgh summit last December. Without three per cent growth, the number of people out of work in the Community would reach 17m - or almost 11 per cent - by the end of the year.

Mr Henning Christophersen, EC economics commissioner, acknowledged that the Commission's growth forecast of 0.8 per cent for 1993 raised questions about whether member states would meet the "convergence criteria" required to be eligible for European Monetary Union in 1996. But he held out the prospect of a speedy drop in interest rates, particularly in Germany, to offset the recession.

A stark warning of the risks of low growth and competitive devaluations caused by the recent monetary instability in the EC appeared in a parliamentary report on the Commission's growth forecasts prepared by Mr Alman Metten, a Dutch Socialist MEP.

According to the report, "recent developments show that EC countries are so interdependent that devaluation by one produces a domino effect of competing devaluations. Were these phenomena long to continue, then even the single market would be endangered."

Mr Metten said yesterday that without lower interest rates in Germany, the French franc risked having to float outside the Exchange Rate Mechanism - a prospect which would deal a possibly fatal blow to monetary union.

He recommended that the Commission and Council examine the possibility of setting target zones of fluctuation for the dollar, yen, D-Mark and, possibly, the Ecu, in order to restore monetary stability. The European Parliament will vote on the Commission's report today

Technician who put his company centre stage

Haig Simonian profiles the man with a love for risks

MR Gabriele Cagliari, chairman of Italy's Eni state energy and chemicals concern, has the look of a man more at home on an oil rig than in the office.

However, it would be wrong to portray him merely as a burly technician. Under his chairmanship Eni has pursued a high-profile sponsorship of Milan's famous La Scala opera house. He regularly attends the opera's glitzy "prima" each December. Mr Cagliari, 62, is also a keen supporter of the Aspen Institute's Italian branch, which organises regular conferences on environmental issues, particularly related to energy and the Mediterranean.

An industrial engineering graduate of Milan's prestigious polytechnic, he joined Eni in 1955, starting at the Houston, Texas, office of its Anic subsidiary. He stayed with the group, then beginning its long challenge to the international oil industry's dominant "seven sisters", for the next 11 years. The period took him from the US back to Italy, where he moved to Eni's Snamprogetti plant engineering subsidiary.

After a spell at Eurotecnica, an energy-related engineering group, Mr Cagliari returned to Eni in 1981. Two years later he joined the group's managing board, where he concentrated on the tormented restructuring of Italy's chemicals sector. In 1989 he succeeded as chairman Mr Franco Reviglio, the socialist university professor who is now minister of finance.

The choice of Mr Cagliari was in many ways obvious. Apart from his technical background, he was one of relatively few senior Italian executives to have had wide-ranging job experience abroad. He speaks good, if not perfect, English.

Perhaps as important, he bore the right political stamp, having been closely associated with the Socialist party, which has dominated Eni since its creation. Recently, his political credentials have brought Mr Cagliari under media scrutiny. Links have been traced between private family businesses and those of Mr Silvano Larini, the playboy Socialist architect closely associated with Mr Bettino Craxi, the former Socialist party leader, who gave himself up to Milan magistrates.

His arrest, and that of Mr Franco Ciatti, the chairman of Eni's Nuovo Pignone subsidiary, is based entirely on his public business role rather than any private activities.

Both men have been held on allegations of corruption and illegal political funding in relation to Nuovo Pignone's contracts to supply gas turbines to the Enel state electricity authority.

Nuovo Pignone, one of the prime candidates on the government's privatisation list, is Italy's leading producer of gas turbines, compressors and other high-technology engineering equipment. It is a leading supplier to Enel, which has been concentrating on natural gas as an alternative energy source since Italy decided to close down its nuclear power programme in the late 1980s. Gas had been taking an increasing role in national energy policy even before the first oil price shock of 1973.

Although traditionally specialised in lower-capacity machines – a spin-off from its expertise in compressors – Nuovo Pignone also produces the high-powered turbines used in big power stations under licence from General Electric of the US.

It is this activity for Enel which has now put Mr Cagliari and Mr Ciatti behind bars.

Cagliari: Socialist party links

Sweden urged to boost savings

By Christopher Brown-Humes in Stockholm

AN independent commission set up by the Swedish government has called for a quicker resolution of the country's banking crisis and for further savings of up to SKr70bn (£6.3bn) to help tackle the country's acute economic difficulties.

The commission, led by economist Mr Assar Lindbeck, broadly supported the country's current monetary policy, saying that too swift a lowering of interest rates risked higher inflation and a further weakening of demand.

In a report published yesterday, it said: "The central bank is advised to continue its strategy of a gradual reduction in short-term interest rates, provided there is no dramatic fall in the exchange rate or a dramatic increase in long-term interest rates."

The report was commissioned by Ms Anne Wibble, the finance minister, in December to provide a blueprint for Swedish economic recovery in the wake of the forced currency flotation last November.

Mr Lindbeck said top priority should be given to resolving the country's banking crisis. He also suggested that Sweden needed to save or raise a further SKr60-70bn in the next five years in order to stabilise public debt at 40-50 per cent of GNP by 1998.

High long-term unemployment was the most serious threat facing Sweden, but the country needed to get better value out of the SKr90bn allocated to programmes for the jobless. He called for reduced benefits and a shift towards less expensive training programmes.

In its list of 113 proposals the commission also suggested increasing the government's mandate period, cutting the number of MPs, strengthening the budget process and reducing the influence of all types of interest groups.

The aim now will be to build concensus through wide-ranging discussions in the coming weeks, with some of the proposals likely to be adopted in the country's supplementary budget next month.

Greeks queue to file tax returns in Athens

By Kerin Hope in Athens

LONG queues at Inland Revenue offices around Athens are the first indication that the Greek government's efforts to reduce tax evasion may be having an effect.

The Finance Ministry is optimistic that its television campaign, exhorting Greeks to "make a new start" by filing a tax return, will produce a 15 per cent rise in the number of income declarations received by Friday's deadline.

Recession and the launch of the single market has affected revenue collection in recent months, with VAT receipts showing a sharp decline. However, Greece faces much bigger problems in trying to restrain an underground economy that may have doubled in size over the past decade, and reversing a widely held belief that no intelligent citizen pays more than a minimum of tax.

"One of the main reasons revenues are behind just now is because, under single market rules, VAT is no longer collected at customs but when goods are sold," according to Mr Stefanos Manos, the economy minister.

"That's less worrying than the very large degree of tax evasion. The black economy is anywhere between 35 and 50 per cent of the real economy. That's a huge amount of money going untapped."

Cuts in the levels of corporation tax and income tax, introduced when the fiscal system was overhauled last year, appear to have made little impact on attitudes.

A recent Finance Ministry check of credit card receipts on the island of Santorini, a popular tourist destination, revealed that shopkeepers were declaring only 8.5 per cent of transactions. It was followed by a sample cross-checking of company returns, which resulted in about 25,000 businesses being asked to file a supplementary tax declaration.

Computerisation is under way, but it will be some time before automatic cross-checking can be widely applied. Meanwhile, tax officials are being offered an incentive to press for payment of tax arrears: a share of the receipts.

Goodman defends company against fraud charges

By Tim Coone in Dublin

Mr Larry Goodman, the controversial founder of Goodman International, Europe's largest meat processor, yesterday appeared in the witness box to defend his company against allegations of fraud, abuse of EC payments systems, and political favouritism.

Speaking before a parliamentary enquiry into the Irish meat industry, Mr Goodman claimed the allegations have been "blown up out of all proportion". Although he did not deny some breaches of regulations had taken place at a couple of his plants, he said that a comparison should have been made with other companies in the industry. "We can back our record against anyone's," he said.

Goodman International ran into financial difficulties in 1990 following the Gulf war and the suspension of export contracts to Iraq. An examiner was appointed in August of that year to enable the company to arrange an agreement with its 33 creditor banks to whom it owed some I£460m (£450m).

The banks had guaranteed a further I£200m against beef contracts.

Answering allegations that his company had taken advantage of the EC intervention system, Mr Goodman said: "Prior to Ireland joining the EC, our net margins were in excess of 5 per cent. They have never been at that level since. We lobbied very strongly against the intervention system as we were concerned that people would sell without any marketing effort. It removed the incentive for companies to market in Europe and abroad."

The Goodman group has become Europe's biggest supplier of meat products to supermarket chains in the UK.

Accusations of dishonesty made in the witness box by the prime minister, Mr Albert Reynolds, against a cabinet colleague last October resulted in the collapse of the coalition and a general election last year.

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West German economy shrinks by 1%

Powerhouse of Europe weakens markedly as recession fears grow

By Christopher Parkes in Frankfurt

WESTERN Germany, the powerhouse of the European economy, saw a fall of 1 per cent in gross domestic product in the last quarter of 1992, compared to the previous quarter. The figures underlined "recessive tendencies", the federal statistics office said yesterday.

Conditions had worsened steadily following a relatively strong showing in the first three months of last year, when mild weather helped gross domestic product to grow by a seasonally adjusted 1.5 per cent.

Excluding that anomaly, growth has now been shrinking since the summer of 1991, yesterday's figures showed.

While the fourth-quarter fall is less than the 1.5 per cent estimated by the Bundesbank recently, it demonstrates that economic activity is weakening markedly.

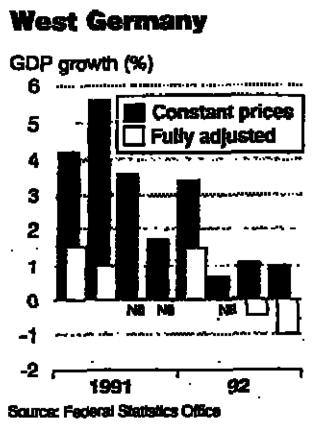
Independent economists now expect the economy to shrink by up to 2 per cent this year.

The statistics office pointed out that capital investment in the quarter under review had fallen by 4.6 per cent: the biggest drop since mid-1984. Meanwhile, the number of people employed in the west had fallen, by 89,000, for the first time in nine years.

A 2.5 per cent increase in domestic demand in the last three months of 1992 helped push imports up 4.7 per cent while exports rose by only 0.6 per cent, the office added.

Meanwhile, investment in construction was 6.7 per cent higher due mainly to continuing demand for housing.

Private consumption rose 1.8 per cent, partly under the influence of the increase in value added tax on January 1, which spurred demand for consumer durables.



Krupp steel plant closure sparks protest

By Ariane Genillard in Bonn

KRUPP Stahl yesterday announced it will close an entire steel mill in Rheinhausen, in the heart of the Ruhr region, making the mill the first casualty of the German steel crisis.

The closure, which will take place in the second half of the year, will involve the loss of 2,000 jobs. Steel production will be partially transferred to the company's mills in Dortmund, also in the midst of restructuring. The company also announced a further 2,500 jobs will be cut there.

News of the closure of the 100-year-old plant in Rheinhausen immediately sparked protest among steel workers.

"We had to decide with a grieving heart to concentrate our steel production in Dortmund," Mr Jürgen Harnisch, chairman of Krupp Stahl told protesters yesterday. The production concentration at Dortmund should improve company results by DM250m (£106m), in addition to savings of up to DM300m coming from the merger of Krupp and Hoesch, he said.

Rheinhausen was once the site of a fierce battle when steel workers took to the streets in 1988 and won its temporary survival. Over 10,000 workers took part in protests again last month after Krupp Stahl announced it was considering closing one of its many plants.

Survival chances for its steel plant in Siegen, also marked for possible closure, improved after Mr Harnisch said yesterday he was considering a mini-mill concept to reorganise its special steel production. The move could save an estimated 1,500 jobs for the 4,000 workers currently employed at the plant. "We think this could be a workable concept," he told the Westfalenpost, a regional newspaper.

The newspaper also cited officials at Krupp Stahl saying prospects for co-operation talks between their company and Thyssen Stahl and Saarstahl, the largest and sixth largest German steel producers, were "very bad".

Philips to axe jobs in Belgium

By Ronald van de Krol in Amsterdam

Philips, the Dutch electronics group, said yesterday that it planned to cut 800 jobs in Belgium as part of a trend to produce audio equipment in Singapore and other parts of the Far East.

The job losses, to be spread over two years, are the first big cuts announced since Mr Jan Timmer, Philips' president, unveiled plans last week to eliminate 15,000 out of 252,000 jobs in an attempt to restore profitability in its loss-making consumer electronics business.

The Belgian job losses will focus on Philips' operations in Hasselt, where the company employs nearly 2,000 people and where it produces compact disc (CD) players and CD-interactive, a multi-media version of the CD.

Philips in Belgium said these products could be manufactured 25 per cent cheaper in Singapore. The remaining Hasselt operations will concentrate on more complex audio equipment.

In Belgium, as in the rest of the world, Philips is confronted by stagnant markets for consumer electronics.

Kohl calls for G7 political backing for Yeltsin in crisis

By Quentin Peel in Bonn

MR Helmut Kohl, the German chancellor, has written to fellow western leaders urging their support for Mr Boris Yeltsin, the Russian president, in his constitutional struggle, according to diplomats in Bonn.

In particular, Mr Kohl has passed on a query from Mr Yeltsin asking for confirmation of western political support if he is forced to introduce emergency measures in Russia. The letter, sent directly to western leaders in the Group of Seven industrialised states, including US President Bill Clinton, President François Mitterrand of France, and Mr John Major, the British prime minister, reports Mr Yeltsin's confidence that the Russian military will support him if he seeks emergency powers, the diplomats said.

It also spells out the Russian leader's determination to make one final effort at reaching agreement with the Russian parliament, while expressing some doubt about the likelihood of such a deal.

The letter follows Chancellor Kohl's brief stop-over in Moscow for talks with the Russian president last week, on his way back from a two-week trip in Asia.

It reflects deep German anxiety about the growing instability in Russia, and doubts about the ability of Mr Yeltsin to implement a coherent government policy during the current constitutional crisis.

Bosnians urged to accept ethnic map

RUSSIA yesterday stepped up pressure on Bosnia's warring parties to accept the international peace plan, dividing their land into 10 semi-autonomous provinces mainly along ethnic lines, agencies report.

The Russian statement was issued as Bosnia's Moslem-led government and the Bosnian Serbs considered their response to the peace plan drawn up by mediators Mr Cyrus Vance and Lord Owen.

"The current round of talks in New York confirmed the absence of a real alternative to the Vance-Owen plan as the basis for a settlement in Bosnia-Hercegovina," Russian President Boris Yeltsin said.

The peace talks in New York were interrupted on Saturday to give the Bosnian Moslem government and its Serb adversaries time to decide whether they accept the mediators' map.

● A UN relief convoy attempting to reach a trapped Moslem town in eastern Bosnia was stuck at the Serbian border yesterday.

Poland moves back on track with debt talks

Warsaw negotiator smoothes ruffled feathers of banks

NEGOTIATIONS for a reduction in Poland's $12.1bn (£8.5bn) debt to foreign commercial banks are now expected to take on a new urgency following International Monetary Fund approval this week of a $655m stand-by credit.

An initial approach was made to foreign banks represented by the London Club of bank creditors early in February after an 18-month hiatus. The Polish team was led by Mr Krzysztof Krowacki, formerly Poland's main trade official in Washington and recently appointed as Warsaw's debt negotiator. He defines Poland's goals as "a reasonable agreement on all aspects of our debt linked to our real capacity to pay".

The $12.1bn which Poland owes the banks is made up of capital and the capitalised interest accumulated since Warsaw suspended debt service on all but $1.1bn of revolving trade credits three years ago. The number of bank creditors has fallen to around 300 from 460 ten years ago as many smaller creditors have quietly sold off their Polish debt on the secondary market. Some debt was also bought back illegally by Polish officials implicated in the so-called Fozz scandal two years ago. Fozz is the Polish acronym for the now-disbanded Polish debt office.

Poland continued to service its commercial bank debt for eight years after suspending its much larger official debt to government agencies in March 1981. A decade of accumulating unpaid debt service pushed up the original $20bn official debt to $33bn. But in March 1991 the Paris Club of official creditors agreed a two stage, 50 per cent, debt reduction which was conditional on Poland receiving IMF approval for its reform policies and budgetary discipline.

The decision to suspend servicing most bank debt was taken partly on the advice of US academic advisers shortly after the collapse of the communist regime. The move angered the banks as did the decision to stop servicing the $1.1bn revolving trade credit only days before talks resumed with London Club representatives.

One of Mr Krowacki's first tasks at the resumed talks was to explain Warsaw's decision. "We had to place all the debt on the same basis so that we could deal with it comprehensively," he explained. But the unilateral move to non-performing status only days before debt talks resumed was an expensive blow for holders of the revolving credit.

Apart from smoothing the ruffled feathers of bank creditors, Mr Krowacki also has to explain to his domestic audience why Poland needs to reach an agreement on debts incurred under the communist regime. "Few Poles realise that we pay a hefty credit risk premium. The combination of a 4 per cent premium and wider spreads is sometimes higher than the base interest rate itself," Mr Krowacki says.

Warsaw's poor credit rating is an important element in Poland's relative lack of success in attracting private investment, which has been channelled mainly into Hungary and the Czech Republic. Hungary, whose per capita foreign debt is double the Polish level, received over 60 per cent of the $7bn private capital which flowed into central Europe between 1990-92. Hungary's strong credit rating, sharply declining debt/export ratio and rising reserves has widened its access to US and Japanese as well as European capital markets and reduced the cost of borrowing.

At present Poland is paying only reduced interest on its Paris Club debt. Next year it will have to pay full interest and in 1995 Warsaw will have to resume capital repayment of around $2bn annually in addition to between $500m and $600m in interest payments. A London Club agreement would require additional repayments on the bank debt.

All this has serious budgetary implications for a country

Anthony Robinson and Christopher Bobinski review the chequered history of debt servicing

facing a sharply rising domestic debt burden and the need to keep the budget deficit to around 5 per cent of GDP. This is the main target outlined in Poland's letter of intent to the IMF in connection with the latest standby loan.

Servicing foreign and domestic debt will consume 12 per cent of total budget spending in fiscal 1993, according to Mr Jerzy Osiatynski, the finance minister. This will rise to around 25 per cent by 1995 if repayments under both Paris and London Club agreements have to be financed.

This will require fresh money and refinancing of existing debt on a substantial scale. Borrowing alone will not be enough. Poland also requires further strong export growth and rising inflows of foreign equity capital.

Mr Osiatynski believes that measures will be required before long to boost exports. "I would prefer to do this through tax concessions to exporters rather than by devaluation which feeds back quickly into inflation. But tax concessions would erode revenue and bring us into conflict with the European Community," he says.

His words reflect the narrow margin of choice in a country which has achieved an economic transformation in three years, but badly needs a commercial debt agreement to facilitate investment on the scale required to ensure steady growth.

Kim tackles political old guard

John Burton reports on South Korea's own 'Trojan Horse'

MR Kim Young-sam has turned out to be a political "Trojan Horse" since becoming South Korea's president almost two weeks ago.

Mr Kim entered the presidential Blue House under the banner of the ruling Democratic Liberal party, but he has acted more as the opposition leader he once was by challenging the political establishment.

"No one expected the breadth of the changes that Kim has introduced to sweep out the old guard," associated with the country's former military rulers, said one Western diplomat. "He's blasting away at all fronts as rapidly as possible to keep his opponents off balance."

But there are already signs that Mr Kim is provoking a backlash. His widely acknowledged political skills may soon be put to the test as he tries to protect his reforms while maintaining the momentum for change.

There is little doubt that the new president has trodden on the toes of some key institutional powers.

He appointed political reformers to the Blue House and his cabinet, while largely ignoring politicians from the DLP's dominant conservative faction.

He also named political loyalists from his minority group to head the DLP instead of choosing a cross-section of officials from the party's competing factions.

The new president has quickly moved to impose civilian control over the military by ousting the hardline army chief of staff and the head of military intelligence. He also ordered a purge of the once-feared Agency for National Security Planning, the country's espionage organisation.

He appears to be settling personal scores in the process. Prosecutors yesterday sought an arrest warrant for Mr Chang Se-dong, a former NSP director who is accused of arranging attacks on rallies of Mr Kim's opposition party in 1987.

Few ever questioned Mr Kim's commitment to democratic reform since he opposed the military dictatorship for three decades.

But many have been surprised by the decisiveness that he has displayed in implementing change because he lacks a widespread power base, in spite of joining the ruling party in 1990.

Nonetheless, "one should not underestimate the potential source of opposition against Mr Kim," explains one seasoned political observer.

The first indication of resistance came in a series of newspaper disclosures last week about alleged past unethical actions by several of the newly-appointed cabinet ministers.

The printed exposes, which would have unthinkable a few years ago when the media was tightly muzzled, proved highly embarrassing since Mr Kim had promised to install a clean government as part of his anti-corruption drive.

He immediately sacked three ministers.

The Blue House believes that details of the transgressions were leaked to the press by the political opponents who had access to intelligence dossiers.

Although a military coup remains a remote possibility, the incident reveals that dismissed army officers and intelligence agents could play a mischievous role in creating discontent against Mr Kim.

Mr Kim must also maintain firm control over the faction-ridden DLP, although his position appears secure for the moment since most of his main rivals left the party in protest after he received the DLP presidential nomination last year.

But he may find it difficult to instil loyalty among DLP legislators if he adheres to his promise not to accept political contributions from business and distribute the funds to the party members as was done in the past.

The powerful bureaucracy could also pose problems for Mr Kim. Although many of his ministers are experts in their fields, they lack administrative experience and consequently may fail to gain control of their organisations. However, Mr Kim may rely on the more savvy technocrats in the Blue House to maintain command over the bureaucrats.

In pushing through reforms, Mr Kim does have allies of potentially enormous strength.

One is business. Although the Seoul bourse initially reacted adversely to some of his anti-corruption measures because of the chilling effect they would have on stock trading, business leaders seem pleased with the president's programme of economic deregulation and his gradual approach toward reform of big business.

Mr Kim has also gained wide public support because of his anti-corruption campaign and his democratic reforms. If Mr Kim can maintain the public trust, his may yet achieve his goal of creating a "New Korea."

More than 100,000 North Koreans held a rally in Pyongyang yesterday as the country went on a "semi-war" footing in response to a huge military exercise in South Korea, Reuter reports from Tokyo. The (North) Korean central news agency said Workers' Party official Choe Tae-pok addressed the rally, called in support of an order by military chief Kim Jong-il putting the communist nation on heightened alert.

"No one can vouch they (Seoul and Washington) will not go into a real war against North Korea while staging the manoeuvres," Choe said. Washington and Seoul say the annual Team Spirit joint military exercise is a purely defensive exercise.

On Monday Kim Jong-il said he was acting because "war may break out any moment".

Faisal Husseini, chief Palestinian peace negotiator (second from right) and colleagues in London yesterday after resuming contacts with British ministers

Deportee demand deadlocks peace process

By Roger Matthews, Middle East Editor

THE Palestinians will not resume Middle East peace talks until Israel agrees to stop deporting people from the occupied territories, its leading negotiator said yesterday.

Mr Haidar Abdel-Shafi told Reuters in Jerusalem that the talks would remain deadlocked as long as Mr Yitzhak Rabin, Israel's prime minister, reserved the right to deport people. Israel deported 415 Palestinians to southern Lebanon in December and has so far refused to implement fully UN Security Council resolution 799 which calls for their immediate return.

Mr Abdel-Shafi's assessment of the peace process came shortly before Britain added its diplomatic weight to efforts to get the talks restarted by meeting representatives of the Palestine Liberation Organisation in London.

Mr Douglas Hogg, minister at the Foreign Office, ended a two-year British ban on top-level contacts with the PLO during talks with Mr Faisal Husseini, the leading Palestinian in the occupied territories, Mr Hael Fahoum, who heads the PLO European section in Tunis, and Mr Afif Safieh, its London representative.

Mr Warren Christopher, the US secretary of state, said yesterday his government would not be following the British example because of disappointment at the PLO's failure to be of assistance on terrorism issues. "We're going to continue, at least for the time being, with our present policy," Mr Christopher said.

Britain informed the US in advance that it was resuming ministerial contacts with the PLO and did not encounter any opposition. Israel, however, complained about the resumption of British contacts, arguing that it would damage the peace process.

Mr Yassir Arafat, the PLO chairman, hoped that the British move and an earlier Belgian decision to upgrade the Palestinian mission in Brussels signalled a more positive European role in the peace process.

Mr Hogg said after his meeting with the three Palestinians that they understood the importance of resuming bilateral negotiations with Israel. "Further movement on the question of deportation would greatly facilitate their ability to come back into the talks," he added.

Mr Safieh, who has been working hard for a resumption of ministerial contacts, described the meeting with Mr Hogg as "warm, constructive and very promising".

Mr Husseini added: "I am optimistic. I believe that by more work we can solve this problem of the deportees."

S Africa plan focuses on equality

Philip Gawith and Patti Waldmeir report on a radical economic programme

THE South African government yesterday launched its most radical economic restructuring programme since it took power in 1948.

The programme, which reflects a new emphasis on equality, would touch almost every aspect of economic life.

It aims to increase the amount of investment in relation to gross domestic product to improve productivity and to re-establish the stable financial environment without which investors cannot prosper.

It is a classic supply-side restructuring programme – but with a human face, designed to make it palatable to opposition political forces whose approval must be gained if it is to succeed. Initial union reaction was positive, with a leading union economist describing the plan as a useful starting point rather than rejecting it out of hand.

The changes required to effect it are enormous.

They include:

- Reducing government current expenditure to 20.1 per cent of GDP in 1997 from 26.8 per cent in 1992;
- Lowering the company tax rate to 40 per cent from 48 per cent, and the individual's marginal rate to 40 per cent from 43 per cent, by 1997;
- Reducing tariff barriers on imports to 18 per cent (possibly 14 per cent) in 1997 from 27 per cent at present;
- Keeping real wage increases to 0.75 per cent per annum;
- Taking a tougher line on anti-competitive behaviour, price-fixing and collusion;
- Balancing the budget by 1997. (Last year's deficit represented 9 per cent of GDP);
- Phasing out exchange control;

Success will depend on wage restraint from the unions and an inflow of foreign capital equivalent to 2.8 per cent of GDP in the mid 1990s, tailing off later (largely from international finance institutions).

It will also depend on a strong government's ability to push through unpalatable reforms – at a time when Pretoria is about to hand over to a power-sharing government which could prove weak and fractious.

The programme is published against a background of widespread acceptance of the pressing need for fundamental economic restructuring.

"South Africa cannot afford another decade of poor economic growth, since this will only lead to greater unemployment, poverty, violence and social instability," comments Mr Derek Keys, minister of finance and the driving force behind the document, in the foreword.

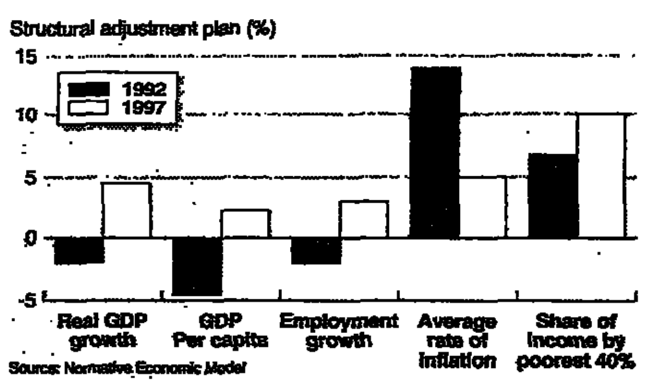
At the heart of the programme is the simple assumption that levels of investment, and productivity of that investment, must be raised if South Africa is to meet its daunting development challenge.

Fiscal and monetary discipline the improved functioning of product and labour markets and liberalised trade and financial markets are among the programme's goals.

The focus is on providing long-term solutions to structural problems, rather than short term palliatives. The approach will be gradual as the government believes the economy, and the society are too sick to survive a "big bang" approach.

South Africa

Structural adjustment plan (%)



Source: Normative Economic Model

Government officials acknowledge they have long paid lip service to economic reform.

And while some progress has been made – for example in monetary policy and agriculture – it took the deepening economic crisis and the appointment last May of Mr Keys, to produce a comprehensive programme.

While the programme is focused on the supply side, it makes clear that growth is not seen as being more important than equality.

The document notes "the new political understanding of the nature of the South African economy ... accepts that the process of economic growth must be seen as but a central feature of the broader process of economic development of the country and its people."

In the past they have always insisted that growth alone was enough to cope with poverty.

"What is envisaged is a process of structural adjustment in the developed market economy and a reconstruction of its less-developed socio-economic framework, in particular the equitable access of all South Africans to all opportunities in the economy."

During the difficult political transition to democracy, the government would provide a package of measures including labour intensive public work schemes, unemployment insurance and special training programmes.

Mr Keys has been careful to stress that the restructuring proposals are not prescriptive, but are meant to provide a platform for debate.

But his officials make clear that reform will begin with next week's budget. "It may have more teeth than people would like to see" says Mr Jacobs.

The document highlights constraints on growth: in the short term, a large fiscal deficit could crowd out a private investment revival, and balance of payments problems will constrain growth if large net capital outflows cannot be stemmed.

The longer term constraint is the legacy of apartheid – defects in the socio-economic system, such as large distances between industrial centres and labour force accommodation, and lack of education and skills which would "prevent the full participation in the growth process by the country's large developing community."

Democracy where no one ever argues

Indonesia's president will be re-elected unanimously today, writes William Keeling

INDONESIA'S President Suharto is likely to get unanimous support from the People's Consultative Assembly (MPR) today when it elects him into a sixth term of office. The lack of opposition is part of Indonesia's "consensus" democracy, say ministers. But government critics believe it signals trouble for when Mr Suharto, now 71, finally relinquishes power.

The assembly meets for 11 days every five years to ratify the government's programme and vote for the president. Its five factions – the ruling Golkar party, two opposition parties, military representatives and provincial leaders – have always concurred on all economic and political issues.

Even demands by the small nationalistic, pro-Christian Indonesian Democratic party for an electoral process less favourable to the ruling party were withdrawn to avoid a vote, an act which "shows a maturity of democracy in our country," says energy minister Mr Ginandjar Kartasasmita.

Investors in the Jakarta stock market have welcomed the prospect of five more years of Mr Suharto. After a depressed second half of 1992, the composite index has risen 13 per cent this year. Brokers say foreign buying has increased ahead of the election.

Golkar dominated last year's general election for 400 of the 500 seats of the lower parliament. Representatives of the armed forces, which have a political role enshrined in the constitution, fill the remaining 100 places. The 1,000-member assembly consists of the lower parliament and 500 members appointed by the government.

Golkar has formed the government since 1971, the first election following Mr Suharto's assumption of power in 1965. Political analysts worry that this monopoly on power is storing up problems for the future.

Mr Cornelius Lay, a lecturer at the University of Indonesia, believes long exclusion of opposition parties from power may produce radicalism as they become disenchanted with the political process.

Mr Suharto, however, a former major-general, is unlikely to relax his grip. Last week he criticised liberal democracy as failing to sustain development. He reaffirmed the military as "an inseparable part of our democracy".

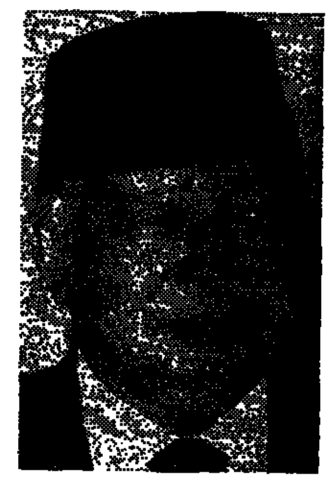
He is bolstered by a track record of economic growth averaging 6 per cent a year over the last two decades. The proportion of the population living in absolute poverty has fallen from 60 per cent in 1970 to under 15 per cent. Annual per capita income has risen from $70 in the mid-1960s to over $600 (£422) now.

Mr Suharto can also point to an influx of foreign investment worth $34bn over the last five years. Non-oil exports, driven by an increase in manufacturing investment, have risen from $8.5bn in 1987 to an estimated $21bn last year and are growing at 20 per cent a year.

However, some businessmen are concerned that Mr Suharto's next cabinet, to be announced within two weeks, will reverse the trend toward economic deregulation, where the government has liberalised the banking sector in particular, and return to a policy of state intervention.

The government is already providing substantial funds for a state-owned high-technology sector involved in aircraft, shipbuilding and munitions manufacturing.

Donor agencies complain that what the government calls deregulation has to date often entailed transferring state monopolies to favoured private companies, while the system of competitive tender is often disregarded by the government when awarding contracts.



Suharto: no heir apparent

On balance, however, donors and businessmen are hopeful for continued economic growth and, with the military playing a central role, a peaceful transfer of power from Mr Suharto.

As one business executive explains, possibly the most delicate task is to complete the smooth transition from the old generation military leaders (who fought for independence) to the new generation.

There is still, however, no apparent successor to Mr Suharto. General Try Sutrisno, the sole vice-presidential candidate and former aide to Mr Suharto, is regarded by many officials as lacking charisma.

Senior diplomats believe General Wismoyo Arismunandar, deputy chief of army staff and Mr Suharto's brother-in-law, is being groomed for the job. His appointment, however, would antagonise government and military officials keen to prevent the Suharto family, already powerful in business, becoming a ruling dynasty.

What is apparent, say the government's critics, is that Indonesia's 185m people will have little involvement in choosing the next leader. And the three separatist movements in Aceh, Irian Jaya and East Timor are a reminder that political stability is not assured. Without Mr Suharto and the depth of authority he commands, Indonesia's "consensus" democracy may begin to crack.

Fujitsu cuts back on new recruits as profits fall

FUJITSU, Japan's largest computer company, is cutting recruitment drastically and shaking up management in an effort to improve its poor performance, writes Michiyo Nakamoto in Tokyo.

Fujitsu will reduce the number of new graduates it takes next year to 300 compared with the 2,200 recruits it will welcome this March.

The move underlines the severity of the country's economic slowdown and reflects the growing view that further cuts will be needed despite hopes of recovery soon.

Fujitsu is suffering in the face of intense competition in the computer market, and desperately needs to restructure its operations. It employs 166,000.

In October the company forecast a 50 per cent decline in pre-tax profits to Y20bn (£117m) on revenues of Y2,470bn but is increasingly unlikely to meet that forecast.

In April the company will introduce a management assessment programme, linked to managers' bonuses.

Angola heads for long war

The Angolan government has warned of a long and bloody round of civil war as Unita rebels yesterday threatened to "neutralise" oil installations in the north if government forces tried to recapture them, Reuter reports from Luanda.

The government army chief warned Angolans earlier that Unita possessed a "terrible war machine" and they should prepare for a long war which could cause more casualties than the previous 16-year civil conflict.

The loss of the highland capital of Huambo at the weekend dealt a double-blow to the government, hard-pressed since fighting resumed in earnest two months ago after Unita's rejection of last September's election results.

India to ease line on Kashmir

New Delhi is rethinking its hard line on Moslem militants in India's Kashmir region and is working on a political settlement to end three years of bloody rebellion there, a government spokesman said yesterday, Reuter reports from New Delhi.

The spokesman said Mr Rajesh Pilot, junior home (interior) minister, had a meeting with the militants during a visit last month to high-security detention centres in the state of Jammu and Kashmir.

The state governor, Mr Girish Saxena, was behind the talks.

The softer line involves a shake-up of the local administration and more patrolling on the border with Pakistan. Talks with Moslem militants have not been ruled out.

Until now India has refused to hold talks with militants until they surrender arms and agree not to discuss secession.

Cambodia curbs timber exports

The United Nation's top peacekeeper in Cambodia imposed strict export quotas on sawn timber yesterday to preserve dwindling resources and curb the income of recalcitrant Khmer Rouge guerrillas, Reuter reports from Phnom Penh.

A ban on the export of uncut logs, backed by the United Nations, was agreed last September by the Supreme National Council, representing all Cambodian factions, to protect Cambodia's resources.

It also curbed a lucrative source of income for the Khmer Rouge in an attempt to get them to abide by the pact. But UN sources say the guerrillas and the government have been circumventing the ban by setting up sawmills and exporting sawn timber.

Mr Yasushi Akashi, who heads the 21,000-strong UN Transitional Authority in Cambodia (Untac), told a news conference the Funcinpec faction and the Khmer People's National Liberation Front sought a complete ban on exports of sawn timber.

But this was opposed by the government, which would have been faced with a cut-off of one of their few remaining sources of income.

To break the deadlock, Mr Akashi used his executive powers as SNC chairman and imposed a 30 per cent reduction. He said the total volume of sawn timber exported in 1993 would be the equivalent of 160,000 square metres of unprocessed logs.

NEWS: THE AMERICAS

Clinton and Mitterrand stress Russia's need for aid

US and France seek G7 talks

By George Graham in Washington

PRESIDENTS Bill Clinton and François Mitterrand yesterday called for greater urgency in helping Russia with western aid.

Both men acknowledged that Japan's opposition to the idea of holding an emergency summit of the Group of Seven leading industrial nations before the regular summit to be held in Tokyo in July, but said that the G7 must move before that.

"I don't believe we can wait until July," Mr Clinton said after a morning meeting with Mr Mitterrand in Washington.

An emergency G7 meeting would probably be useful but might not be possible in the face of Japan's objections. Nevertheless, the west must move "aggressively" to help Russia, which might otherwise be forced to look increasingly to arms sales as the only way of earning hard currency, Mr Clinton said.

Mr Mitterrand, who has advocated an emergency G7 meeting, added that Japan appeared to misunderstand the urgency of the problems facing Eastern Europe and the former Soviet Union.

At their first meeting yesterday, the two presidents also agreed on a cautious approach to the idea of committing more troops to Bosnia. Both said they were willing to increase their forces only after a peace agreement along the lines proposed by Mr Cyrus Vance and Mr David Owen had been reached.

"We accept the Vance-Owen plan. We want it to be successful. We see its imperfections but know of no better instrument," Mr Mitterrand said.

Trade issues, which have set France and the US at loggerheads recently, were reserved for later discussion over lunch, but both presidents struck a conciliatory note, with President Clinton suggesting his recent aggressive comments about European subsidies to the Airbus consortium might have been misinterpreted.

President Mitterrand said agreement on the Uruguay round of talks on updating the General Agreement on Tariffs and Trade was important, but could not be achieved by piecemeal negotiations.

Fiscal fever infects congressmen

By George Graham in Washington

THE US Congress's Democratic majority is set to agree on even deeper cuts in spending than those proposed by President Bill Clinton.

The House of Representatives Budget Committee is expected to vote today on a budget resolution that will make extra spending cuts totalling $63bn (£44bn) over five years on top of Mr Clinton's own plan, which had aimed to trim government spending over the period by a net $222bn.

Agreement on the budget resolution is the latest stage in a fever of fiscal responsibility that has infected liberal spenders, conservative farm subsidisers and fervent opponents of tax increases alike.

President Clinton first agreed on an additional $55bn of spending cuts with Democratic party leaders in the House of Representatives on Monday night, but further meetings on Capitol Hill prompted Democrats on the House Budget Committee to expand those cuts to $63bn, and Democrats in the Senate are working on an even larger batch of cuts.

When Mr Clinton announced his budget plan last month, it was widely assumed that he would have trouble keeping its spending cuts intact. Instead, Congressional Democrats have outdone him.

"When the whole process started, the issue was, would the Congress go as far as the president recommended," said Congressman Martin Sabo, chairman of the House Budget Committee. "I'm just indicating we'll go further."

The White House is now worried if it will be able to preserve the increased spending on infrastructure, technology, the environment and education that also forms part of the Clinton economic plan. Some conservative Democrats are seeking, in particular, to trim the $16.3bn package to provide a short-term stimulus to the economy.

Mr Leon Panetta, the budget director, said yesterday that Congress was "moving in the right direction" but warned that deeper cuts might be counter-productive.

The debate is concentrated on the budget resolution, which provides general outlines for spending and revenues. When detailed cuts are taken line-by-line in later appropriations bills, following presentation of the complete Clinton budget on April 5, members of Congress are expected to lose much of their new-found enthusiasm for fiscal discipline as they fight to preserve the programmes that benefit their own districts.

However, Democratic leaders have had to work towards a consensus on the budget resolution knowing they can count only on their own party, since the Republicans have made it clear they will not vote for the Clinton budget.

Ontario Hydro to cut 4,500 jobs

By Robert Gibbens in Montreal

ONTARIO HYDRO, one of North America's biggest utilities, is cutting staff by a further 4,500, bringing planned reductions since late last year to 6,000. This is part of the utility's restructuring to deal with a debt crisis and a 30 per cent increase in power rates over the past three years.

Total payroll will decline to 23,000 mainly through attrition and early retirement, said Mr Maurice Strong, the chairman. Negotiations will begin soon with the unions.

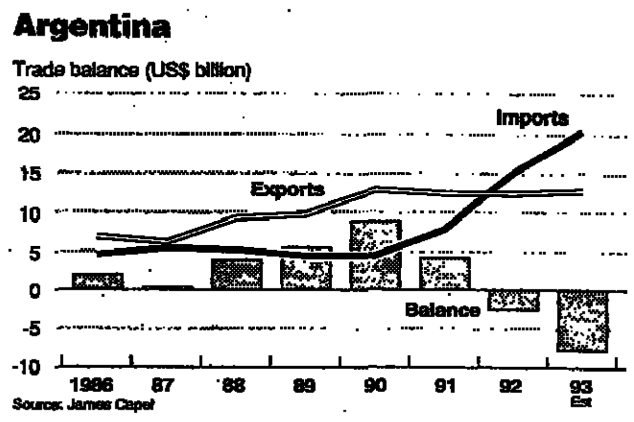
A programme to re-tube the Bruce A nuclear reactors, at a cost of nearly C$2bn (US$1.6bn) is being deferred indefinitely. A Bruce heavy water plant will close in 1994.

Ontario Hydro expects surplus generating capacity of 3,500MW once its Darlington nuclear plant is on full stream this summer. Demand for electricity has declined over the past three years.

Mr Strong said about C$10bn will be cut out of the utility's C$30bn 10-year capital spending programme.

Argentine balance of payments worsens

By Stephen Fidler, Latin America Editor



Source: James Capel

ARGENTINE trade figures released this week showed the country's balance of payments position deteriorated more rapidly last year than the government has admitted.

The figures, which will be subject to one more revision before they are final, showed Argentine trade swung into a deficit of $2.87bn (£2bn) last year after a 1991 surplus of $3.7bn.

This sharp deterioration has raised questions about the sustainability of the government's economic policy, which is using the exchange rate – fixed against the dollar since April 1991 and increasingly seen as overvalued – as a central plank of its strategy to fight inflation.

The deficit was caused by a 79 per cent rise in imports last year to $14.84bn, while exports were little changed at $11.98bn. More worrying to some economists was the pace of the deterioration from the first half when there was a $1bn surplus to the second half when there was a $3.9bn deficit.

Mr Geoffrey Dennis at James Capel in New York said he expected the deficit would jump to $8bn this year, with the rate of growth of imports slowing somewhat and that of exports rising. At just over 3 per cent of gross domestic product the deficit would not be large in absolute terms and hard currency reserves were substantial – sufficient to cover 10 months' imports. Nonetheless, he believed the trade position was eroding so quickly figures that a shift towards a crawling peg devaluation of the peso was required.

The figures also indicated trade with the US and Brazil more than accounted for the trade deficit: the shortfall in trade with the US was $1.82bn and with Brazil $1.75bn. They showed a relatively small proportion of imports were directly for consumption: capital goods and spare parts made up 38.2 per cent of imports, semi-finished goods 34.8 per cent and consumer goods, including cars, 27 per cent.

The government has said the deficit will be constrained this year because of imports levies imposed in November. Mr Juan Schiaretti, trade and industry secretary, was quoted by Reuters saying latest figures from the customs service showed a substantial fall in imports during the first two months of 1993. He gave no figures.

Reno promises to be tough on violent crime

By Jurek Martin in Washington

MS JANET Reno promised Congress yesterday she would be a tough law and order attorney-general whose priorities would be "attacking violent crime, drug trafficking and public corruption".

She told the Senate judiciary committee at the opening of her confirmation hearings she would ensure civil rights laws and rules protecting the environment would be rigorously enforced. Polluters should be "forced to clean up the mess they have left behind".

Ms Reno would be the first woman attorney-general if confirmed in office. This appeared in little doubt yesterday, as the committee greeted her with applause and initial questioning from senators of both parties revealed little controversy about her background and qualifications.

Senator Joseph Biden, the Democratic chairman, and Senator Orrin Hatch, the ranking Republican, said they were satisfied there were no skeletons in her closet such as had derailed two earlier candidates.

Senator Hatch criticised the "hate-mongering campaign" to which, he said, she had been subject; Senator Alan Simpson, Republican (Wyoming), remarked over the weekend that confirmation hearings had too often been marked by "character assassination".

Senator Biden elicited from Ms Reno a commitment to crack down on domestic violence, as she had in her 15 years as a Florida state prosecutor. "We need to send a clear message," she said, "that that will not be tolerated." Senator Edward Kennedy (Massachusetts) urged her to work hard for effective gun control; she said she would. Most of her testimony was devoted to her own life, recalling her upbringing as the daughter of a Danish immigrant who became a newsman in Miami.

Crucial vote on cheque tax

Stormy start for Brazilian minister

By Christina Lamb in Brasilia

BRAZIL's new finance minister was yesterday set to unveil his strategy for dealing with 30 per cent monthly inflation and attempt to lift the crisis surrounding the government of President Itamar Franco.

Mr Eliseu Resende, in his first public pronouncement since taking office, was expected to announce his new team to the Senate and seek to win support for a new tax.

Mr Resende, who took over last week, has been greeted with an unusually negative reception.

Not only is he the fourth finance minister in just five months but his background is in past military regimes when he was behind some billion dollar development projects today considered white elephants such as the Transamazonica – a highway through the world's largest rain forest.

Moreover the economic turmoil provoked by last week's dismissal of Mr Paulo Haddad, the previous finance minister, and the resignation of the entire central bank directorate and head of privatisation, heightened this week with the leaking of a radical economic plan which Mr Haddad was said to have been considering while if office.

According to Mr Haddad, the supposed plan, which included a price and assets freeze, privatisation of 90 per cent of state assets in 45 days and compulsory lengthening of terms on treasury notes, was a study he rejected last December. In a thinly veiled reference to Mr Franco's aides, Mr Haddad claims that it was leaked in an attempt to discredit him and justify his dismissal by "people who know nothing of economics".

The controversy, along with remarks by Mr Franco that he wants some economic plan in place by the end of April, has increased speculation over a forthcoming price freeze or price controls as the only measure which will have an immediate – if shortlived – effect on inflation.

However, the political crisis surrounding Mr Haddad's demise may harm the government's chances of approval in today's final senate vote for a new tax on cheques. Expected to raise $7bn, it is seen as the only hope for balancing this year's budget.

NEWS: WORLD TRADE

UK hits at Japan on liquor taxes

By Michiyo Nakamoto in Tokyo

THE UK has complained to Japan over the latter's failure to comply with a Gatt ruling made in 1987 on its liquor taxation system which discriminates against imports. Mr Richard Needham, minister of state for trade, yesterday expressed his concern in a meeting with Mr Ichiro Aisawa, parliamentary vice-minister at the Ministry of International Trade and Industry.

Mr Needham was adding the UK's voice to growing EC criticism of Japan over the discriminatory taxation system which still remains despite the Gatt panel ruling. Criticism that it has failed to comply with Gatt recommendations comes at a sensitive time for Japan, which is moving towards a more Gatt-oriented trade policy.

The Japanese government, under growing pressure over trade from the US and EC, has said it was more likely to refer to Gatt in trying to resolve thorny issues, especially where US retaliation was likely.

In 1989 the Japanese government made some changes to its liquor taxation system by, for example, removing the difference in taxes between local and imported liquor. But the EC has become impatient after waiting five years for Japan to remove the last tax areas placing imports at a disadvantage.

A substantial differential still exists between Japanese *shochu*, a potato-based liquor, and whisky and brandy. The taxation differential between one class of whisky and a certain class of *shochu*, for example, is nine times. The EC is also concerned about a move in Japan to introduce another tax category for low strength whisky: *mizuwari*, or whisky diluted with mineral water.

The EC formally requested Japan to comply fully with its obligations under Gatt at the last EC-Japan ministerial meeting in Brussels in January. Japan does not believe it has failed to implement the Gatt recommendation.

Last-minute decision by former US trade representative

Hills ordered dumping laws study

By Nancy Dunne in Washington

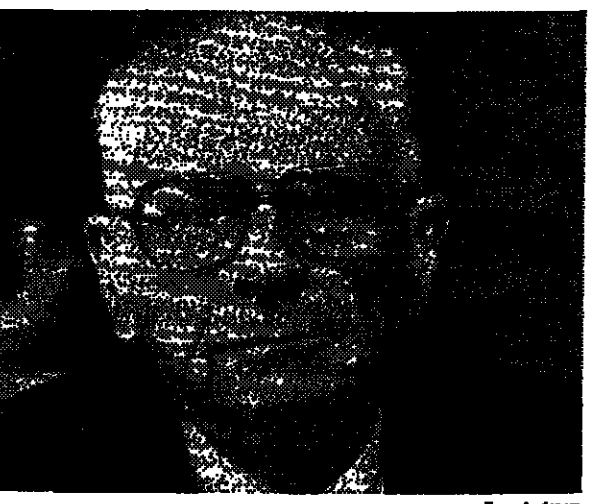
STRONG complaints by US exporters led Mrs Carla Hills, the former US trade representative, to order a controversial two-year study of the US dumping and subsidy laws just five days before leaving office, according to Mr Julius Katz, Mrs Hills' former deputy.

The trade representative's staff had for many months discussed having the bipartisan International Trade Commission take "a good, hard look" at the effects of the "unfair" trade regime in a balanced, non-partisan way, Mr Katz said. Because this would be unpopular in the Congress, it was felt that Mrs Hills could more easily make the request than her successor, Mr Mickey Kantor, just starting his term in office and anxious to maintain good relations with Capitol Hill.

Mr Katz said, although protection against dumping and subsidies was necessary, the rules adopted by both the US and the EC had become increasingly "arbitrary and restrictive". The number of countries adopting similar regimes had proliferated, so that American exporters now had to worry that they would be denied market share under similar rules.

Controversy over the US anti-dumping and subsidies regime may stand in the way of a Uruguay Round deal. The US is insisting on amending the final negotiating text which would make it easier for exporting countries to challenge the anti-dumping and subsidies findings.

"We had no political reason for calling for the study," Mr Katz said. The proposal – for an in-depth look at the effects of dumping and subsidies as well as the impact of the subsequent duties on the US economy – came from the office's career staff.



Tony Andrews

Julius Katz: 'We had no political reason for calling for the study'

Mrs Hills apparently reckoned without the intervention of the Democratic chairman of the International Trade Commission. Mr Don Newquist last week sent the proposal for the study to Mr Kantor, giving him 90 days to shelve it if he wishes. He has yet to comment on the matter.

A spokesman for Mr Newquist said the Trade Representative's Office had failed to perform the detailed consultations with the ITC usual when studies were requested. He suggested that the budget-cutting Clinton administration might have different priorities, and the agency was already loaded with a time-consuming study agenda.

Mr Katz said Mrs Hills had called the chairman about the study and had spoken with his counsel, Mr Fred Beavers. After the call it was decided to stretch the timing of the study from 1994 to 1995, to keep it separate from election year politics. Mr Beavers said Mrs Hills had simply informed him of the study without asking for Commission suggestions.

OECD Export Credit Rates

THE Organisation for Economic Co-operation and Development (OECD) announced new minimum interest rates (%) for officially-supported export credits for Mar 15-Apr 14 (Feb 15-Mar 14 in brackets):

D-Mark	7.38	(7.87)
Ecu	8.55	(9.01)
French franc	8.99	(9.20)
Guilder up to 5 years	7.50	(7.90)
5-8.5 years	7.55	(7.95)
more than 8.5 years	7.85	(8.20)
Italian lira	12.22	(12.75)
Yen	4.70	(5.00)
Peseta	12.76	(13.47)
Sterling	7.70	(8.10)
Swiss franc	6.58	(6.59)
US dollar for credits of up to 5 years	5.58	(5.93)
5-8.5 years	6.43	(6.83)
for credits of over 8.5 years	6.87	(7.26)

These rates are published monthly by the Financial Times, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid Interest rates may not be fixed for longer than 120 days.

SDR-based rates of interest are the same for all currencies but must be used only for the OECD-defined poor countries.

For the period from Jan 15 through July 14, the SDR-based rate will be 7.55 per cent. It replaces the previous rate of 8.1 per cent. The SDR-based rate will again be subject to change on July 15.

EC defends new trade group plan

By Frances Williams

EC officials yesterday launched an attack on environmental groups' claims that proposals for a Multilateral Trade Organisation (MTO) would weaken countries' ability to protect the environment.

In a strongly-worded letter to the World Wide Fund for Nature (WWF), a prominent opponent of an MTO, Mr Tran van Thinh, EC ambassador to Gatt, said the MTO would be a democratic, rules-governed body taking decisions by members' consensus. It would not be, as WWF and others had implied, a supra-national body with powers to impose policies on weaker, developing countries, Mr Tran added.

"The Uruguay Round agreements will neither prevent governments protecting the environment nor force on them policies hampering their development."

Existing exceptions in Gatt to protect human, animal or plant health would be strengthened. The MTO would offer "a continuous negotiating forum to develop further the trade and environment relationship". The MTO, first proposed by the EC and Canada in 1990, would subsume Gatt and envisaged sister-bodies on services and intellectual property, enforcing trade rules with tighter disputes procedure.

Trade officials in Geneva said yesterday that several governments planned to follow the EC in rebutting what they see as a misleading campaign by the WWF and other groups against the MTO and related draft accords under discussion in the Uruguay Round.

Poorest LDCs face decline, says Unctad

By Frances Williams in Geneva

PER capita incomes in the very poorest developing countries have fallen for the past three years and fragile economic reform programmes are threatened by recession and inadequate international support, the United Nations Conference on Trade and Development said yesterday.

In its latest annual report* on the 47 least developed countries, as defined by the UN, Unctad projects a 1.4 per cent increase in total LDC output this year, after no growth in 1991 and a slight decline in 1990, but expects per capita incomes to show a new decline.

The recent economic performance of LDCs, which have a total population of 500m, compares with growth averaging 2.5 per cent a year between 1985 and 1989. LDCs have also lagged behind developing countries as a whole, whose output rose by over 3 per cent in 1991.

The Unctad report highlights big divergences in performance between LDCs. In many countries afflicted by civil war and natural disasters, such as Somalia, Afghanistan, Liberia, Mozambique and Ethiopia, "the development process has come to a virtual standstill".

Elsewhere, some more politically stable countries have achieved respectable growth rates and raised per capita incomes, including Botswana, Lesotho, the Maldives, Nepal, Bangladesh and Uganda.

But Unctad, main UN forum for debate of north-south issues, says external factors have also been responsible for the LDCs' problems. The recession has limited trade, falling commodity prices have cut revenues, and private remittances from abroad, a big source of foreign exchange for some LDCs, have declined due to foreign-labour cuts in industrialised and developing countries.

Rich countries, it adds, have failed to fulfil pledges made in the UN action programme for LDCs agreed in 1990, including increased aid flows, action to tackle LDC indebtedness (most of which is owed to governments) and measures to improve LDC access to industrial markets.

The report notes fears that eastern Europe's financing needs may further reduce the resource pool for LDC development. Failure by the west to support painful reforms in LDCs risks halting or reversing the process, with far-reaching consequences including "social and economic collapse, ecological damage, food insecurity, and huge population displacement."

**The Least Developed Countries: 1992 report. UN Sales No. E.93.II.D.3. $70*

Turkey and Azerbaijan sign oil pipeline accord

By John Murray Brown in Ankara

TURKEY and Azerbaijan yesterday agreed to build a pipeline from the Baku oilfields to the Turkish Mediterranean. The deal, signed in Ankara by Mr Süleyman Demirel, Turkish prime minister, and Mr Sabit Bagirov, Azerbaijani oil minister, ends months of uncertainty about the route of the proposed $1.4bn (£980m) pipeline to take Azerbaijani crude to western markets.

Yesterday's accord envisages a route via Iran and the small Azerbaijani enclave of Nachievan before ending at Ceyhan on the Turkish Mediterranean, using the existing twin Iraqi pipeline now closed because of UN sanctions against Baghdad.

Last month a consortium of Botaş, Turkey's state-owned pipeline company, and Azerbaijan's state oil company, together with BP and the US oil and engineering groups Pennzoil, Amoco and McDermott, concluded a feasibility study of three possible routes, through Georgia or Russia to the Black Sea, or the Araz valley to the Mediterranean.

The agreement leaves the door open for Kazakhstan, an important oil producer, and Turkmenistan, a large gas producer, to join. The 1,060km pipe will have 40m tonnes capacity, Azerbaijan accounting for 25m tonnes, with the balance used by Kazakhstan. Azerbaijan's output is estimated at 10m-12m tonnes, but is projected to increase to 40m tonnes by 1996-97.

Kazakhstan is planning to export its production via a pipeline to Russia's Black Sea port of Novorossysk.

Last month the Turkish Foreign Ministry signalled its disapproval of the Kazakh plan. Under the 1936 Montreux convention, ships have unhindered passage through the Bosporus. But Turkey has warned that the increased tanker traffic could impede shipping, already congested with the opening of the Danube-Rhine Canal and the growing demand from the new Black Sea states.

LEGAL NOTICES

In The High Court of Justice No. 00873 of 1993
Chancery Division
Mr Registrar Buckley

IN THE MATTER OF MORETIME LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 3rd day of March 1993 confirming the reduction of capital of the above-named Company from £40,000,000 to £2,750 and the Minute approved by the Court showing with respect to the capital of the said Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on the 4th day of March 1993.

Dated: the 8th day of March 1993
Slaughter and May (JHS/FWN/JMDE)
35 Basinghall Street, London EC2V 5DB.
Solicitors for the said Company.

Notice of Appointment of Joint Administrative Receivers
GEARD AND HARRISON JOINERY LIMITED

Registered number: 1739669. Nature of business: Joinery. Trade classification: 09. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and NJ Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Notice of Appointment of Joint Administrative Receivers
JACKSON BRASSWARE LIMITED

Registered number: 2356917. Trading name: On The Waterfront. Nature of business: Supply of Bathroom Fittings. Trade classification: 15. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and NJ Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Notice of Appointment of Joint Administrative Receivers
ON THE WATERFRONT LIMITED

Registered number: 1796588. Nature of business: Dormant. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and N J Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

THE INSOLVENCY ACT 1986
A & B LEASEHIRE LIMITED
A & B MOTORS (NEWTON-LE-WILLOWS) LIMITED
A & B WALLGATE LIMITED
A & B (WARRINGTON) LIMITED
ARPLEY (UK) LIMITED
BALDWINS (NORTH-WEST) LIMITED
B D SECURITIES LIMITED
DEARDEN & ALLEN LIMITED
GRAHAM BROTHERS (PROPERTIES) LIMITED
GRAHAM'S OF MANCHESTER LIMITED
GRAHAM'S OF NEWBRIDGE LIMITED
GRAHAM'S OF STOCKPORT LIMITED
GRAHAM'S OF WILMSLOW LIMITED
GRAHAM'S OF WOLVERHAMPTON LIMITED
HAPPERFIELD & WILLANS LIMITED
MONODEPEND LIMITED
SHAWCROFT DEVELOPMENTS LIMITED
SWAN NATIONAL MOTORS (BRISTOL) LIMITED
VEHICLE INVESTMENT LIMITED
WATSON BROTHERS AIRDRIE (FINANCE) LIMITED
WATSON BROTHERS AIRDRIE (LEASING) LIMITED
(IN VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN that I Myles Antony Halley of KPMG Peat Marwick, Peat House, 1 Waterloo Way, Leicester LE1 6LP, was appointed Liquidator of the above named companies on 21 February 1993.

NOTICE IS ALSO HEREBY GIVEN that the creditors of the above named companies, which are being voluntarily wound up, are required, on or before the 31st day of March 1993 to send in their full Christian and surnames, their addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their solicitors (if any), to the undersigned, M A Halley of Peat House, 1 Waterloo Way, Leicester LE1 6LP, the Liquidator of the said companies, and, if so required by notice in writing from the Liquidator, are, personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

This notice is purely formal. All known creditors have been or will be paid in full.

Dated this 3rd day of March 1993
M A Halley Liquidator

IN THE MATTER OF EASTERN CAPITAL FUTURES LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1986

NOTICE IS HEREBY GIVEN, pursuant to Rule 11.2(1A) of the Insolvency Rules 1986, that the Joint Liquidators of the above company intend to make a distribution to the creditors. Creditors are required to submit full details of their claims and their names and addresses to the Joint Liquidators, at KPMG Peat Marwick, PO Box 730, 20 Farringdon Street, London EC4A 4PP on or before 25 March 1993 which is the last day for proving claims. Notice is also given that the intended distribution is a final distribution and will be made without regard to any claims not made by the date mentioned.

Dated: 4 March 1993
CTE Hayward Joint Liquidator

Notice of Appointment of Joint Administrative Receivers
B C SANITAN LIMITED

Registered number: 1822645. Trading name: First Choice Distribution. Nature of business: Wholesalers of Bathrooms. Trade classification: 15. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and NJ Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Notice of Appointment of Joint Administrative Receivers
FIRST CHOICE DISTRIBUTION LIMITED

Registered number: 1622227. Trading name: B C Sanitan. Nature of business: Wholesalers of Bathrooms. Trade classification: 15. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and NJ Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Notice of Appointment of Joint Administrative Receivers
KEENREALM LIMITED

Registered number: 2327475. Nature of business: Holding Company. Date of appointment of Joint Administrative Receivers: 26 February 1993. Name of person appointing the Administrative Receivers: Lloyds Bank Plc. Joint Administrative Receivers: J M Iredale and NJ Vooght (office holder Nos 002104 and 006339). Address: Coopers & Lybrand, 9 Greyfriars Road, Reading, Berkshire RG1 1JG.

Insurance Companies Act 1982
MUNICIPAL MUTUAL INSURANCE LIMITED AND MUNICIPAL GENERAL INSURANCE LIMITED
TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that Municipal Mutual Insurance Limited and Municipal General Insurance Limited applied to the Secretary of State for Trade and Industry on 24th February 1993 for his approval, pursuant to section 51 of the Insurance Companies Act 1982, to transfer to Cornhill Insurance Public Limited Company all their respective rights and obligations under motor policies written for them by Automobile Association Insurance Services Limited in the United Kingdom Prior to the close of business on 30th September 1992.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at 25/27 old Queen Street, Westminster, SW1H 9HN, Monday to Friday, from 9.00 am to 5.00pm when particulars may be inspected until 31st March 1993.

3. Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry, Insurance Division, 10-18 Victoria Street, London, SW1H 0NN before 30th April 1993. The Secretary of State will not determine the application until after considering any representations made to him before that date.

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UK employers warned on pay or jobs divide

By David Goodhart, Labour Editor

SOCIAL STABILITY in Britain could be threatened if pay increases take priority over jobs when recovery gets under way, according to Mr Howard Davies, director general of the Confederation of British Industry (CBI).

Addressing a private meeting of senior industrialists earlier this week, Mr Davies warned that an acceleration of wage increases, prompted by skill shortages, could produce high inflation alongside high unemployment.

"In those circumstances one has to have some concern about social stability," he said.

He also stressed the responsibility of employers in achieving a better trade-off between pay and jobs.

"Employers have a key role to play, by seeking growth opportunities, not just head-count reductions, and by investing in their work-forces ... Businesses can only afford to do that, and will only be able to expand their markets, if they pay realistic increases".

Mr Davies also criticised executive pay in the UK. "The recent record on senior management pay is not easy to defend in all companies," he said. He pointed to the fact that pay awards for directors of between 4 per cent and 6 per cent in the last half of 1992, compared with 2.5 per cent to 4.5 per cent for employees overall.

While welcoming the general fall in the size of pay increases, Mr Davies said UK labour costs were still not as competitive as they needed to be and that real earnings for those in work had continued to rise throughout the recession.

Pointing to the continued prominence of the inflation rate in wage negotiations, he also said: "I am left with an uneasy feeling that we may have been here before, 10 years ago for example, and that we've let things slip away before".

Although Mr Davies was critical of the uneven distribution of the "pain of the recession" and said a slower growth in living standards would have meant fewer people out of work, he only tentatively welcomed workers' recent agreement to trade off a pay cut against job security at Sheffield city council.

"In the long run I would prefer the council to the do the same work, with fewer people, at a lower cost," he said.

● The Confederation of British Industry said yesterday that more companies should consider withdrawing from collective bargaining.

Mr Robbie Gilbert, CBI director of employment affairs, recommends in a paper on pay setting that companies consider increasing the proportion of employees on short-term and fixed contracts and locking labour costs into pay deals of more than one year.

He also said more British companies should consider withdrawing recognition from trade unions.

Sterling devaluation prompts rise in producer prices

By Peter Marsh, Economics Correspondent

MANUFACTURERS may be increasing prices in reaction to higher costs sparked by sterling's devaluation, according to government figures released yesterday.

A big jump last month in the prices of materials and food purchased by manufacturers has raised fears of inflationary pressures. It was also accompanied by indications that companies are passing on more costs to their UK customers, possibly to rebuild profit margins.

Last month prices at the factory gate of manufactured goods excluding food, drink and tobacco – items whose prices fluctuate with tax changes – rose by 2.7 per cent compared with February last year.

That is the same year-on-year rate as in January, and above the comparable figures of 2.4 per cent recorded in December and November last year.

Prices including food, drink and tobacco increased by 3.7 per cent in February compared with 12 months previously. That is up from a year-on-year 3.6 per cent in January and is the highest yearly rise since last April.

Materials and fuel purchased by manufacturers rose 0.5 per cent in February compared with the previous month, the same as between December last year and January. The rises have been blamed partly on higher import prices following the 15 per cent fall in sterling since last September when Britain left the European exchange rate mechanism.

The year-on-year increase in input prices last month was 6.9 per cent, unadjusted for seasonal variations. That is up from a revised increase of 6.3 per cent in the year to January, and is the highest year-on-year rise since May 1989.

The figures, released by the Central Statistical Office, underline suggestions that inflation as measured by wholesale prices of factory goods may climb later this year in response to higher import costs.

Labour costs, meanwhile, are rising only slowly. Many workers have agreed low wage settlements, partly due to continuing recessionary conditions and fears about unemployment.

Between last September and February, prices paid by manufacturers for materials and fuel have increased by 9.2 per cent. The increases have particularly affected companies in the metals, food and chemicals businesses which import large amounts of raw materials.

Allowing for seasonal variations, prices of materials and fuel rose 1.4 per cent in February compared with January, after 0.7 per cent the previous month.

Protestors blockade imports of French fish

By Jimmy Burns in London and Alice Rawsthorn in Paris

Fishermen in Grimsby, eastern England, prevent a truck unloading French fish yesterday following complaints at cut price imports

BRITISH fishermen yesterday prevented French fish from being unloaded for the second day running in the latest stage of a growing EC dispute over cheap imports.

The blockade at Grimbsy, the east of England port, followed a separate protest on Monday at Peterhead, Aberdeenshire, where Scottish trawlermen poured diesel oil into the hold of a Russian factory ship.

The incidents coincided with further protests by French fishermen against cut-price imports, prompting a violent clash between fishermen and riot police outside the fish market in Nantes.

According to the National Federation of Fishermen's Organisations, representing most fishermen in England and Wales, UK fishermen are frustrated by government fishing restrictions, cheap imports from Russia and Norway and an increase in fish landed by EC boats in the midst of a recession.

Mr Barry Deas, federation secretary, said: "We are operating against weak demand. What we really need are tight quantative controls on the amount of fish coming in."

Mr David Curry, minister for fisheries, accused trawlermen of simplifying the problems of the industry. He warned that protest action would undermine the government's attempts to argue its case within the EC.

"It may be that imports are playing some role in the problems of the market place at the moment. But that is not the only factor. British fishermen are landing too much fish simultaneously. They are over-supplying the market," he said.

The minister described the protest actions in Grimsby and Peterhead as "totally silly" at a time when British ministers were urging their French counterparts to take measures to protect British lorries.

"This protest action is symptomatic of an industry that, whatever the problem, thinks that somebody else is to blame. There is no justification for it all," he added.

The complex issues facing the fishing industry were highlighted last night by Mr Philip Greig, managing director of Abacus Frozen Foods, the importer of the Russian fish destroyed by Monday night's action in Peterhead.

Mr Greig said Russian cod was being imported in exchange for locally fished haddock and whiting and warned that further protest action would force the closure of his factory with a damaging effect on local fishermen.

Mr Ron Gillan, chief executive of the Scottish North East fish producers organisation said he could not rule out the possibility of protest action spreading to other British ports.

"I can't say this won't happen again," he warned. "There is a very strong anti-government feeling. Fishermen see themselves more and more regulated, and see no light at the end of the tunnel."

Britain in brief

NatWest admits credit card errors

National Westminster Bank admitted that thousands of payments on its Visa credit cards had been switched among accounts. It said it was unsure if it would be able to identify the errors unless each customer complained.

The bank said it believed "human error" was to blame for the application of payments to the wrong accounts which had taken place in January. It was correcting errors as customers complained about over- or under-payment of accounts.

The mix-up follows mistakes over payments on credit cards from NatWest and other banks last August. These occurred when First Data Resources, which processes transactions on several banks' behalf, changed computer software.

Trust to pay pensioners

Payments from the government's £2.5m emergency fund to help the pensioners whose fund was raided by Robert Maxwell, the late media magnate, will be taken over by the charitable trust chaired by Sir John Cuckney, in order to prevent hardship once the "drip feed" fund runs out.

The Cuckney fund had to step in because trustees for the Mirror Group Pension scheme are blocking a proposal that would allow Maxwell company pensioners to start drawing monthly payments on the £188m Common Investment Fund which holds the assets of all four schemes.

Contracts call for officials

Britain's most senior government officials should be put on five-year contracts and held to account for their performance in policy-making, according to Mr Graham Mather, president of the European Policy Forum, the free market think-tank.

In a submission to the Treasury and Civil Service Select Committee, Mr Mather said Sterling's departure from the Exchange Rate Mechanism and the collapse of BCCI had raised issues about the conduct of officials.

Schools face test boycott

The prospect of industrial action in schools in England and Wales after Easter has grown after members of the 190,000 strong National Association of Schoolmasters Union of Women Teachers voted overwhelmingly to boycott the assessment and testing associated with the government's national curriculum.

Lifeline for threatened pit

British Coal is to invest £7m immediately in Wearmouth colliery, one of the 31 pits whose closure was announced last October. The investment at the pit, one of four earmarked in the original closures announcement for mothballing, increases hopes among its 800 miners that their pit will be saved.

Newspaper for the blind

The Royal National Institute for the Blind and The Guardian has launched the first electronic newspaper of its kind in Europe for the blind and visually impaired. The entire text of each copy of the Guardian newspaper will be broadcast by teletext and stored in a personal computer. With the help of a voice synthesiser a blind person can browse through headlines and articles.

Consumer group urges EC postal regulation

By Michael Cassell, Business Correspondent

A TOUGH regulatory regime will be essential to ensure a universal European postal service is not exploited by monopoly operators, according to the Consumers' Association.

An EC consultation document on developing a single market for postal services has suggested the gradual liberalisation of cross-border and direct mail services in Europe.

Although many services would be open to competition, some areas of activity could be left in the hands of monopolies.

The association says the proposals will require a regulatory framework to ensure that market power handed to particular operators "is not exploited in terms of price, quality, availability and redress provided".

An EC suggestion that persistent failure to meet service targets might result in sanctions against operators - including the linking of permitted price rises to quality targets - is also welcomed by the association.

A survey of UK postal users conducted by the association as a preliminary to formulating its response to the consultation document, shows that customers want to keep the present balance of quality of service and price.

Privatisation hint eclipses Scottish reform

By James Buxton and David Owen

PRIME minister John Major overshadowed Mr Ian Lang, Scottish secretary, in the Commons yesterday when he appeared to indicate the government had decided to press ahead with privatisation of the Scottish water industry.

Questioned by a Scottish National party MP, Mr Major asserted he had "no reason to doubt that water privatisation in Scotland will be effective and efficient, as elsewhere."

"Privatisation means a better, more efficient service for the consumer and no more subsidy from the taxpayer," he said. His comments came just minutes before the Scottish secretary's much-flagged statement on the government's 'taking stock' exercise.

Mr Lang's statement was greeted dismissively by opposition MPs.

Mr Tom Clarke, Labour's Scottish spokesman, described it as "sheer tokenism, talking shops and timid and tired policies." Mr Alex Salmond, the Scottish National Party leader who was jeered heartily by Labour for striking a deal with the government on Monday night's Maastricht vote, said it amounted to "a constitutional charade."

The package of measures unveiled by Mr Lang aims to improve parliament's handling of Scottish affairs partly by transferring more powers to the Scottish Office. It is intended both to enhance Scotland's status in the United Kingdom and stave off Scottish demands for constitutional change.

Rolls-Royce set to cut aerospace workforce

By Paul Betts, Aerospace Correspondent

ROLLS-ROYCE, the aero-engine and industrial power group, is likely to cut between 3,000 and 5,000 jobs this year because of the continuing deep recession in the aerospace industry.

The company is expected to announce its latest restructuring plans tomorrow when it reports its financial results.

The new wave of heavy job cuts follows sweeping restructuring during the last two years in which 12,000 jobs were lost throughout the group. Rolls-Royce, which employed 64,200 at the end of 1990 – 36,500 in aerospace – employed around 52,000 at the end of last year, with aerospace accounting for just under 30,000.

Most of the latest job cuts are likely to be concentrated in aerospace, which accounts for about 60 per cent of the group's £3.5bn ($5bn) annual turnover.

The company, like its two principal US competitors, General Electric and Pratt & Whitney, has suffered from the combined effects of the decline in defence spending and the sharp recession in the civil aviation industry which has led to airline customers cancelling or deferring engine orders.

Rolls-Royce has had to maintain heavy research and development spending to produce the Trent, the new big civil engine which will power the new generation of large wide-bodied jet aircraft.

Analysts expect Rolls-Royce to report 1992 pre-tax profits of £50m-£90m tomorrow and cut its dividend.

Exporters seek budget boost for UK companies

By David Dodwell, World Trade Editor

CAPITAL investment write-downs, cuts in corporation tax and a loan guarantee scheme for exporters should be included in next weeks's Spring budget, a leading spokesman for British exporters said yesterday.

According to Mr Ian Campbell, head of the Institute for Export, the government should also extend beyond 1994 its transitional arrangements to provide NCM, the UK's leading export credit insurer, with political risk reinsurance.

"The UK will be the only EC country without a permanent facility to reinsure political risks," Mr Campbell said.

Speaking at the UPS/Export Times Exporter of the Year ceremony, he added: "There is not sufficient private sector reinsurance available, and this will make British exporters less able to compete."

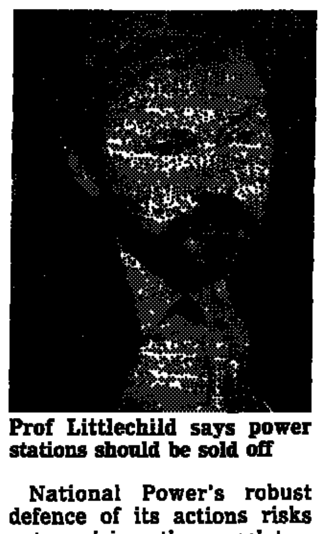
In the wake of strong support given last week by Mr John Major for exporters and the manufacturing sector, Mr Campbell called for the government to "work in partnership with industry" to improve export performance, which has remained stagnant over the past three years at about 8 per cent of world trade."

He called for a 100 per cent first year writing down allowance on capital investment in manufacturing industry, and a reduction in corporation tax to 10 per cent.

These moves would boost investment in manufacturing capacity, which has grown by just 19 per cent between 1970 and 1990 – compared with 43 per cent growth in Germany, France and Italy, 86 per cent in the US, and 129 per cent in Japan, according to data from the Centre for Economics and Business Research.

Generators advised to sell off surplus power stations

By Michael Smith


Prof Littlechild says power stations should be sold off

THE UK electricity regulator yesterday suggested to National Power and PowerGen, the main generators in England and Wales, that they offer for sale 11 power stations they plan to close either fully or partially later this month.

Professor Stephen Littlechild, the regulator, said putting them on the market would provide protection against a big generator closing economic plants so as to drive up the price of electricity and, thus, the profitability of other plants.

National Power, the larger of the two companies, strongly rejected Prof Littlechild's suggestion. It said overcapacity in generation was increasing and retaining redundant plant would lead to closure of other, more modern and efficient plant. Electricity production costs would rise and the environment would suffer.

PowerGen said it did not rule out selling one of its four plants. City analysts, however, said it was unlikely that either company wanted to sell its plants.

National Power's robust defence of its actions risks antagonising the regulator, who has already said he is considering referring the generators to the Monopolies and Mergers Commission and will decide by 1995.

Analysts believe it unlikely he will make a reference. They think he will seek a change in the generators' licence, which would give him powers to order them to sell plants.

National Power's stance is a blow to such companies as Cabah Energy, which wants to buy surplus plants, and arguably to the coal industry. Mr Chris Rowland, a director of Cabah Energy, said his company was interested in buying plants at five National Power-owned coal-fired stations with a 1,200MW generating capacity.

"If we acquired all five we would be using 2.5m tonnes of coal a year," he said. That constitutes the production of up to two of the 31 threatened pits.

Prof Littlechild's recommendation followed publication of a report by Touche Ross, an accountant he had appointed as independent assessor on the closures. He endorsed its finding that while both companies' decisions to close plants were reasonable, several "credible organisations" were interested in purchasing stations.

Prof Littlechild also said the generators should consider selling viable plants.

National Power said it would consider on their merit individual bids for plant not scheduled for closure. The 11 stations due to closure have a total 2,263MW capacity – of which 1,737MW is coal-fired.

Vauxhall defends UK car pricing

By Kevin Done, Motor Industry Correspondent

NEW CAR prices in the UK are now lower than in several other European countries according to a report published yesterday by Vauxhall, the UK subsidiary of General Motors of the US.

Vauxhall published the study, prepared by management consultants A.T.Kearney, in an effort to avoid action by the government to force car manufacturers to change some of the controversial terms of their franchise agreements with dealers.

The motor industry's selective distribution system, which allows carmakers to sell vehicles through exclusive networks, has been blamed by for making UK car prices higher than in many parts of Europe.

The investigation of car makers' pricing policies across Europe is set to intensify over the next two years, as the present 10-year "block exemption", which allows car makers to use a selective dealer distribution system in contravention of European Community competition rules, is due to expire in mid-1995.

It is understood that carmakers in the UK have rebuffed a request made last year by the Office of Fair Trading to change some of the more restrictive terms of their dealer franchise agreements.

The changes had been recommended in a report published last year by the Monopolies and Mergers Commission.

It is understood that the OFT has recommended that the DTI will have to take action to force implementation of the MMC report's findings.

The MMC report recommended the removal of any restrictions on franchised dealers which limit the dealers' freedom to advertise outside their territory, or limit dealers' freedom to hold or acquire dealerships from other car makers outside their territory.

Vauxhall, which ranks second in the UK new car market, yesterday urged other carmakers to prepare a new action plan to establish "common ground" with the OFT, which could allow changes in franchise agreements that would be "compatible" with present EC regulations.

Middle East export guidelines face scrutiny amid claims that convicted businessman had links with MI5

Judge to examine government papers on arms sales

By John Mason, Law Courts Correspondent

ONE OF Britain's most senior judges is set to examine confidential government papers about defence exports to the Middle East after hearing that a businessman convicted of conspiring to ship artillery fuses illegally to Iraq had also worked for Britain's security and intelligence services.

The Lord Chief Justice, Lord Taylor, will look at the case of Mr John Grecian, former managing director of Ordinance Technology (Ordtech) who pleaded guilty in February last year to conspiring to breach controls on the exporting of military equipment to Iraq. He was given a one year suspended sentence.

Yesterday, his counsel, Mr Peter Clarke, told Lord Taylor and two other appeal court judges that Mr Grecian had supplied information to both MI5 and MI6 in the late 1980s. The information was passed to the Foreign Office and discussed with King Hussein of Jordan, he said.

Mr Grecian, whose engineering company was based at Reading, west of London, pleaded guilty along with three other men to conspiracy to evade export controls after the trial judge accepted the government's arguments that sensitive information about trading with Iraq should not be put before a jury.

They are now seeking leave to appeal against their convictions in the wake of last year's Matrix Churchill trial when ministers' use of public interest immunity certificates to suppress sensitive information were successfully challenged by defence lawyers.

The three other men are Mr Brian Mason, Ordtech's former engineering director, Mr William Blackledge of Preston, Lancs, and Mr Colin Phillips of Poole, Dorset.

At their trial at Reading Crown Court, Customs and Excise prosecutors had alleged the four men were part of a conspiracy to use bogus end-user certificates to evade the ban on arms exports to Iraq and supply fuses for 155m heavy artillery shells.

The fuses were never exported, but the end user certificates, signed by a Jordanian general, stated they were destined for Jordan, the trial judge was told.

The four men had maintained that the British authorities had been aware of their activities.

Yesterday's preliminary hearing – to decide whether the four men should be allowed leave to appeal – was adjourned to allow Customs prosecutors time to decide which documents can be handed over directly to defence lawyers and which should be left to the Lord Chief Justice to decide on their disclosure.

The Ordtech case is also believed to be being considered by the official inquiry headed by Lord Justice Scott into Britain's defence trade with Iraq.

The inquiry was prompted by last autumn's collapse of the Matrix Churchill trial when three businessmen were acquitted of evading export controls to Iraq.

At the Crewe facility the production line teams have been streamlined, making charge hands and foremen a thing of the past

Driven towards leanness

Rolls-Royce Motors has radically transformed its working practices, writes **John Griffiths**

Today's annual results from the UK engineering group Vickers will once again bear the scar of big losses from its luxury car subsidiary Rolls-Royce. But according to a confident Peter Ward, Rolls' chairman and chief executive, "there'll be black ink" at the operating level next time.

Ward can make this claim because of the way the company has quietly been undergoing a revolution along Japanese "lean manufacturing" lines. Traditional working practices have been overturned, employee numbers have been cut from 5,200 to 2,490 and the break-even level of production has been reduced to less than 1,400 cars a year from 2,800 in October 1991.

By any standards that is a considerable achievement, though, as Ward admits, urgent action was required. Rolls was certainly forced to slim down in response to the previous car market collapse in the early 1980s – but inevitably costs got out of control again during the unprecedented eight-year bull market which reached its apogee for Rolls in 1990 with record sales of 3,300.

Even at the slashed breakeven level, Rolls-Royce would have made further losses last year with sales of just 1,378.

But Ward points out the changes in company organisation first put in train at the end of 1990 mean Rolls needs only a slight sales lift this year for operating profitability to be restored. It will take much more time to reduce the company's daunting debt burden: Rolls will have been largely responsible for an expected rise in Vickers' total indebtedness to around £110m by the end of last year.

The enormous changes in production process and labour organisation are evident all over the sprawling facilities at Crewe, Cheshire.

"It is simply a different business. We've turned it round," says Ward.

The spur for change came from a growing fear that due to the Gulf war, the imposition of a luxury goods tax and doubled "gas guzzler" taxes in its prized US market, and gathering recession elsewhere, the company's very survival could be in doubt.

"So we asked ourselves, if we had a greenfield site how would we run it? We went away and created a plan of a greenfield site, and decided to make it happen on the old one," Ward said.

Out of the exercise emerged a "green book" forming the basis of new working practices and factory organisation which would sweep away old demarcation lines, create Japanese-style working teams and the concept that any individual unit within the plant was the customer of another.

The plant was divided into 16 zones, each encouraged under a manager to act as a business within a business and assuming full responsibility for cost, quality, delivery and even materials purchased. Within the zones work 160 teams, typically six to 10 strong.

Out went charge hands and foremen, leaving a flatter management structure of just four levels. Within the teams there is total flexibility regardless of individuals' craft backgrounds.

The 120 union representatives – reflecting Rolls' broad craft traditions – were reduced to 47 and just seven elected to the joint works-staff negotiating committee. Such dissent as there was came from local convenor level, not from national union leaders.

It was a radical approach, inevitably provoking great scepticism. But negotiations on its introduction were finished by March 1991.

"The biggest problem was middle management trying to protect status quo," recalls Bernard Preston, director of quality.

Preston recalls recently having a senior Mazda manager visit the plant. "He said we've gone further than a Japanese plant could go. Here we've got people on £40,000 working together on the same team with someone on £280 a week. They couldn't do that in Japan."

Rolls' teams are becoming acclimatised to their new-found freedom – and responsibilities. The sense of commitment and "proprietorship" has been heightened, says Preston, by changes such as a member of one of the four-engine assembly teams spending three hours assembling one engine, not the previous 34 minutes doing specific taskes. It has become "his" engine.

Butch Wilson, a former fitter, makes clear he has no resentments about income disparities with the engineers on the engine teams: "We help them; they help us and within a couple of hours we get almost any problems solved."

The results, says zone manager Chris Johnson, are already apparent. One measure – the number of rectifications per car – has gone from 150 to 47, "and the faults themselves are getting smaller". The team approach means that even in the tradition-steeped interior trim area, the upholstering of the complex rear seat squab now requires nine hours, not 27.

The changes are not confined to labour organisation.

The almost total closure of Rolls' London coachbuilding facility, Mulliner Park Ward, nearly three years ago and the transfer of most of its operation to Crewe means the plant has gone from making one model range to four.

With the introduction of more computer numerically controlled machining equipment Rolls is making many more of its complex components in-house and in greater variety. It is out-sourcing simple items such as fasteners which it traditionally has made itself.

With Rolls' inventories slashed, senior managers say they are becoming able to differentiate between suppliers who already work with Japanese car makers in the UK and those who do not, "and have the old adversarial attitudes".

With more disciplined production planning, Rolls is now talking to suppliers about delivering straight to its assembly line.

For the first time in the company's history, shop floor employees are attending product events so that they can appreciate customer reaction at first hand.

Managers say the working system has reached the stage where it is gaining its own momentum, with managers no longer having to push. But no one is under any illusions about the formidable task still ahead in terms of financial recovery.

Wasting time in the board room

Meetings stifle ideas, delay decision-making and diffuse responsibility, argues **Adrian Furnham**

A meeting is a group of people who keep minutes and waste hours. Yet research shows the average middle to senior manager may spend as much as 40 per cent of his or her day in meetings.

According to a survey of the working habits of 135 managers published by the Industrial Society and BBC Education last week, respondents spent the equivalent of almost a day a week in internal meetings.

The number of committee, sub-committee, task-force, board meetings that business people are required to sit on grows exponentially with rank. Meetings are known to be inefficient. They stifle ideas, postpone and prevaricate. A committee meeting has been described as a group of the unwilling, picked from the unfit, to do the unnecessary.

Given such criticisms why are meetings so popular? Meetings may be seen as a good way to pool resources. Similarly, it has been argued that members may stimulate each other through discussion – what is known as the synergy effect. Others describe them as an efficient and democratic way to communicate with people. Still others believe committees make better decisions.

These reasons are not convincing. First, most meetings are held not to make decisions but to avoid them. Further they are mainly about diffusion of responsibility so that if a wrong, poor or costly decision is made, fault is spread over all committee members.

There are three significant problems with meetings that render them inefficient.

The first is sometimes called social loafing. More than 50 years ago a German scientist named Ringelmann asked workers to pull as hard as they could on a rope attached to a meter that measured the strength of their efforts. Subjects worked alone and in groups of two, three and eight.

While the total amount of force on the rope increased as group size rose, the amount of effort by each person seemed to drop. While one person pulling alone exerted an average of 63kg of force, this dropped to about 53kg in groups of three and was reduced to about 31kg in groups of eight. The greater the number of people performing the task, the less effort each one expended.

The impact or effect of any social force directed towards a group from an outside source (eg a manager) is divided among its members. Thus, the more persons in the group, the less the impact such force will have upon each. Because they are working with others, each group member feels they will take up any slack resulting from reduced effort on their part. And since all members tend

to respond in this fashion, average output per person drops sharply.

The second problem is called by psychologists evaluation apprehension. It suggests that when trying to make decisions in groups, the presence of some group members may intimidate others. The voicing of unpopular, if correct, ideas may breed conflict and may be a "career-limiting" move.

It should come as no surprise that high-status persons in organisations, such as presidents and chief executives, are carefully listened to and their words given high credence. As a result they tend to dominate group situations and their ideas (right and wrong) are frequently accepted without question. The result can easily be a group of "yes men/women" behind the single dominant force.

Understanding this phenomenon, former General Motors head Alfred P Sloan did not attend the early phase of his groups' meeting, fearing his presence would discourage honest discussions of critical problems among executives, who would insist on pleasing him. There is reason to believe Sloan's status would have had an undue impact on the group by inadvertently encouraging uniformity.

The third problem is that in creativity-type tasks, groups rather than individuals working alone produce poorer decisions. In contrast to well-structured tasks that can be divided into several discrete parts and have a definite solution, many everyday management decisions are more poorly structured.

If an organisation is faced with a decision over the prospect of a declining market for its products it would be expected that a group meeting would do a better job of handling such a problem than an individual.

But this is generally not the case. Most research has shown that in poorly-structured, problem-solving, creative tasks, individuals show superior performance to groups. This generalisation has important – and potentially devastating – implications for organisations since some administrators spend up to 80 per cent of their time in committee meetings.

As for business meetings – the fewer the better. It is best to follow some simple rules:

- Start promptly, no matter who is missing.
- Why not have meetings standing up; the Queen does so in Privy Council.
- Go around the room to ensure full participation.
- Have occasional secret ballots on whether regular meetings are necessary. Pool ideas and evaluate them but do not have a meeting to generate them.

The author is professor of psychology at University College London.

PEOPLE

Sommer moves from US to Sony Europe

Sony is strengthening its marketing focus in Europe with the appointment of Ron Sommer to the post of president and chief operating officer. He will take up his appointment in April.

He joins Jack Schmuckli, chairman and chief executive of Sony's European operations, in establishing a US-style top management team to oversee the company's sales, marketing and manufacturing operations. The heads of the sales and marketing companies will report directly to Sommer.

Now 43, Sommer has been president and chief operating officer of Sony Corporation of America since 1990. A mathematician born in Israel and educated at Vienna University, he joined Sony in 1980 and six years later was appointed president of Sony Germany.

His early experience was in the computer industry with the former high-flying Nixdorf Computer, now merged into Siemens Nixdorf Information Systems. At one stage he was head of the company's largest subsidiary, Nixdorf France.

Colleagues describe him as analytical and energetic with the ability to motivate his staff.

He will need all those talents to sustain Sony's impetus through Europe's long-lasting recession.

■ Bruce Vaughan has succeeded Milton Bridgland as chairman of ICI Australia. Warren Haynes took over as managing director following the retirement of Michael Deeley on September 1 1992. RJ (Bob) Hunt, managing director, ICI Chlor-Chemicals, ICI Chemicals & Polymers, has been appointed executive director of ICI Australia with effect from April 1. He succeeds David Gaffney.

■ Bob Hodges, md of beverages (Europe and international), Hank McInerney, md of beverages (Americas), Jan Timmer, md continental bakeries, and Richard Turner, md of Lyons Bakeries (UK), have been appointed to the board of Lyons, part of ALLIED-LYONS.

■ Graham Footitt, formerly vice-president finance for Shell Brasil, has been appointed finance director of SHELL UK on the retirement of Malcolm Raiser.

■ Ann Burfutt (below left), formerly director of personnel at the London Borough of Islington, has been appointed human resources director for LONDON UNDERGROUND.

■ John Smith (below right), chief operating officer of ASH UK, has been appointed to the board of AUTOMATED SECURITY (HOLDINGS). Lord Lane of Horsall, already a non-executive director, has been appointed deputy chairman.

Philosopher Scholar for the Welsh Office

The new permanent secretary at the Welsh Office is to be a Treasury philosopher. Michael Scholar, who will take over when Sir Richard Lloyd Jones retires at the end of July, is currently deputy secretary at the Treasury in charge of civil service management and pay. But he started his working life as a philosophy teacher at Leicester University – his special interests were Wittgenstein and Aristotle.

Since joining the civil service in 1969, Scholar, 51, has taken several front-line positions. He was private secretary to Joel (now Lord) Barnett when he was chief secretary to the Treasury in the run-up to the arrival of the IMF in 1976. He was also private secretary to Margaret Thatcher from 1981-83, through the depths of the economic recession and the Falklands war. Between 1979 and 1981, he was seconded to Barclays Bank International.

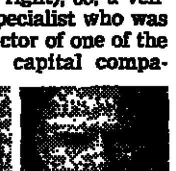
Unusually for a Treasury man, Scholar is noted for his sense of humour and his lateral thinking. He is also an accomplished musician, playing the piano and organ; an Associate of the Royal College of Organists, he is a noted accompanist. Promotion to the Welsh Office takes him home – although brought up in London, Scholar was born in Merthyr Tydfil.

Pointon York picks non-executives

Geoffrey Pointon, chairman of financial services group Pointon York and an enthusiastic proponent of investor protection, has overcome his distaste for non-executive directors and appointed two to his board.

"I don't fancy non-executive directors that arrive once a month for a big lunch and don't understand what is going on," says Pointon, who adds that with a banking subsidiary as part of the group, he has to find people acceptable to the Bank of England, something he says has got increasingly difficult recently. "What with their views and my views, it hasn't been easy."

Now two longstanding acquaintances have agreed to come aboard; Ian Martin (below left), 40, group director of Barings in charge of world-wide finance operations and administration and a director of the Securities and Futures Authority; and Hugh Armstrong (below right), 58, a venture capital specialist who was a founder-director of one of the first venture capital companies, the Small Business Capital Fund which, as Development Capital, was eventually sold to form Lazard Ventures. Martin also goes on the board of the bank. "It reflects the progress the group has been making. Ten years ago we were a very small outfit indeed," says Pointon.



PYV, the Lloyd's broking subsidiary of the group which specialises in professional indemnity cover, is suing Fimbra after the self-regulatory body dropped at the 11th hour a compulsory indemnity scheme for its members to which PYV was to have been the exclusive broker.

Other non-executives

■ Sir David White, former deputy chairman of National Freight Corporation and chairman of Nottingham Health Authority, as chairman at MANSFIELD BREWERY, in succession to the late Geoffrey Kent.

■ Ray MacSharry has been appointed to the court of directors of Bank of Ireland.

■ Eric Kinder, chairman of Smith & Nephew, at CHRISTIE HOSPITAL NHS TRUST, Manchester.

■ Mark Radcliffe, former deputy director general of the CBI, as chairman of METSEC; Keith Hirst, formerly chairman and md is now chief executive officer.

■ Paul Lester, group chief executive of Graseby, as chairman at A&P APPLEDORE HOLDINGS in succession to Philip Ling who remains on the board.

■ Alec Daley, an md at GKN and deputy chairman of Westland, at BRENT CHEMICALS INTERNATIONAL.

■ Ann Burdus, former chairman of McCann and of the Advertising Association and a member of the Top Salaries Review Board, as chairman at The TRIANGLE GROUP.

■ James Cochrane, European operations director of Wellcome, at SPIRAX-SARCO ENGINEERING.

■ Peter Ryan, chairman of Protean and Torday & Carlisle, as chairman at ARTHUR SHAW.

■ Robin Baillie, recently retired chairman of Burson-Marsteller, at CONTROL RISKS GROUP.

■ Quintin Barry, chairman of Donne Mileham & Haddock, as deputy chairman of SOUTHERN RADIO; he replaces Robert Stilby.

■ John Morton, a director of Abtrust Fund Managers, at AVESCO.

■ Margaret Childs, a solicitor with McKenna, at FROST GROUP.

■ Sydney O'Hara, a former director of BT, and David Tebbs, a former director of BIS Nynex, at LBMS.

■ Julian Bell, former executive chairman of Rayner Coffee International and a former director of BET, and Alan Hornsby, retired finance director of Smiths Industries, at IPECO HOLDINGS.

■ Alan Fosler, formerly chief executive of Swire Properties in Hong Kong, at OSSORY ESTATES.

BUSINESS AND THE ENVIRONMENT

Demands from the suppliers

A UK catering company received more than 40 different questionnaires on its environmental credentials from prospective clients. Other companies have had similar experiences as businesses begin to apply a green filter to their buying.

"Some of the questions were dubious in terms of their value to environment issues, such as queries about our turnover," says Roger Brown of Sutcliffe Catering, a subsidiary of P&O. "I think it is essential to have a code of practice governing the sorts of questions that need to be asked."

Business in the Environment, the charity backed by industry and Prince Charles, is working with consultants KPMG to develop such a code. It will be backed by the Chartered Institute of Purchasing and Supply. "The idea is to produce voluntary guidelines which will help both customers and suppliers by introducing consistency into the way in which environmental performance is assessed," says Martin Houldin of KPMG.

B&Q, the UK do-it-yourself chain, insists that all its suppliers comply with a comprehensive environmental checklist. It was the first big retailer in the UK to take the initiative and has worked with its suppliers to help them conform to its required standards.

"We now know far more about our products and we can talk with greater confidence because we have exposed our skeletons. It helps us manage the business that much better," says Alan Knight, B&Q's environment specialist.

Large buyers, such as BT and IBM UK, also include environmental criteria in their specifications. These companies might be less susceptible than retailers to consumer pressure, but neither wants their image tainted by the environmental misdemeanours of suppliers.

The effects of buyers' environmental demands have begun to percolate down the supply chain. "For many small companies who are not directly affected by new laws, it is often the first time that they have had to think about the environment in business terms," says Edwin Datschefski of the Environment Council, a charity that promotes good environmental practice in business.

Peter Knight

Plans for a road-rail link between Sweden and Denmark are causing controversy, reports **Joe Kirwin**

A bridge too far

Demolition work has started work near Copenhagen's Kastrup Airport, but the buildings are not coming down to make way for a new runway. The space is needed for the approaches to a planned \$6bn (£4.2bn) road and rail project which has raised the hackles of environmentalists, politicians, and the public and severely embarrassed the Swedish and Danish governments.

The controversial bridge-tunnel between the two countries is designed to stretch for 17km and carry vehicles and trains. With another bridge in lower Denmark, due to open in 1995, it would provide an important commercial transport link between northern and southern Europe.

The bridge's numerous opponents say the Danish and Swedish governments have not conducted required environmental impact assessments. They also contend the proposal goes against the international positions taken by both Scandinavian nations on issues such as climatic change, transport and marine protection. Although they signed the climate change treaty at the Earth Summit in Rio de Janeiro, the increased traffic, and thus greenhouse gases, resulting from the bridge counter that commitment, say environmentalists.

The polluted Baltic Sea is another issue. The bridge would span a crucial strait that is a narrow lifeline of salt water and oxygen for the sea's already ravaged ecosystem. Both governments – together with the other nations bordering the Baltic Sea – recently signed an international convention aimed at improving the Baltic water quality.

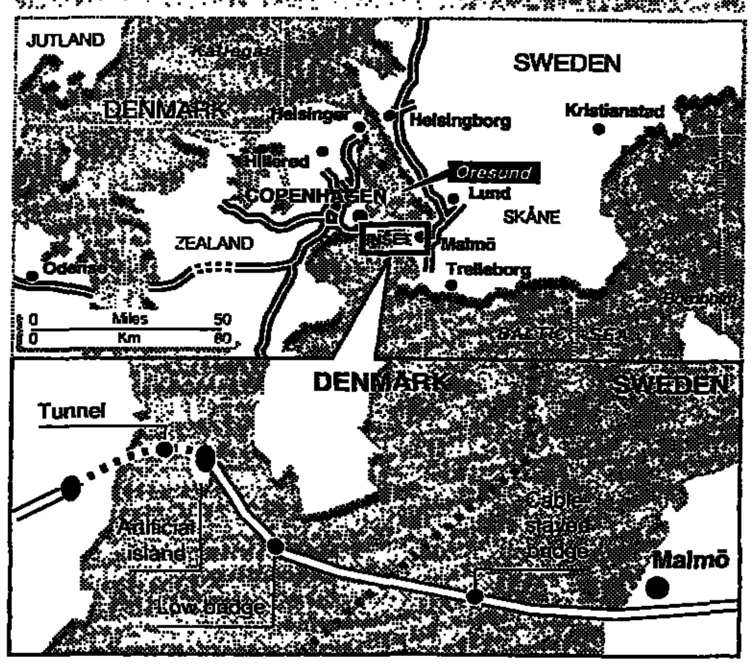
Officials from Sweden and the new Danish administration say all environmental concerns will be satisfied before the bridge-tunnel construction begins.

"We can only say that everyone has to trust us to consider all the environmental concerns," says Jaerel Turdin, head of planning at the Swedish environment ministry. "Government approval will not be given before all these concerns are satisfied."

While some bridge opponents might dismiss Turdin's promises, the Centre party, of which she is a member, voted against the bridge in 1991. That was before Sweden's Social Democratic party fell from power and the non-socialist coalition, including her party, took over.

Last month, bridge opponents gained a significant victory in the battle to stop the bridge when two key environmental review panels recommended against the bridge-tunnel plans. However, Sweden's prime minister, Carl Bildt, whose conservative Moderate party favours the bridge, says "sooner or later" it will be built.

Proposed Danish-Swedish transport link



In Denmark, the political situation concerning the bridge is just as muddled. The new Social Democratic government appointed in January also includes political parties that voted against the bridge in a parliamentary vote in 1991.

It was in the summer of that year that the governments signed a bilateral agreement to build a train-car bridge linking the Swedish city of Malmö and Copenhagen.

The resulting parliamentary votes enraged not only environmental groups, but also political parties in Sweden and Denmark. "The decision agreed between the two governments was wrong because it committed the two nations to a train-car bridge between Malmö and Copenhagen," says Bjorn Gillberg, one of Sweden's most prominent environmental advocates. "The governments didn't say: 'We want a bridge that will cause the least amount of environmental damage and which also provides the least expensive option.' Therefore the agreement disregarded an option such as a train tunnel."

The bridge would span a crucial strait that is a narrow lifeline of salt water and oxygen for the sea's already ravaged ecosystem

This is the alternative that most bridge opponents prefer if there is to be a fixed link. "The agreement also disregarded a bridge or a tunnel between Helsingborg (in Sweden) and Helsingor (in Denmark), where the distance across the water is only a few kilometres."

Following the 1991 agreement, a consortium of Danish and Swedish consultants was established and a bridge-tunnel design drawn up. The blueprint calls for a bridge from Sweden to an artificial island several kilometres off Denmark. From there to the Danish shore, a fixed tunnel would be lowered into the sea.

With the design work, the consortium spent more than \$5m on an environmental impact assessment. Recognising the stiff opposition, it persuaded Gillberg, who has spent a lifetime fighting environmentally damaging projects, to oversee the study.

When the environmental impact survey was completed last autumn, it was sharply criticised by environmental groups, as well as by the Swedish government's Environmental Protection Agency. The failure to examine alternatives was a significant complaint.

"The consortium was given a direct mandate from the governments," Gillberg explains. "They called for a train-car bridge between Malmö and Copenhagen and that is what was studied. So it is wrong to blame the consortium for not studying the alternatives."

One contentious issue is the effect of proposed dredging, which is supposed to compensate for the blockage of salt and oxygenated water caused by the bridge's large pilings. The impact study claimed deeper shipping channels would maintain adequate salt water inflow.

"Nobody knows if the dredging will work or not," says Mats Abrahamson, a marine biologist with Greenpeace in Sweden. "They have only computer models. The only place where the salt water reaches the Baltic will also be obstructed by the other new bridge that will be completed next year." He adds: "Maybe, we could take a chance if the Baltic Sea was not in such fragile condition already. But this could be the nail in the coffin."

The controversy has involved the EC Commission. "Originally, the Commission said the bridge violated the 1985 EC directive on environmental impact assessment," says Jan Sundergaard, a Greenpeace official in Denmark. "But last November, after opposition against the Commission grew in Europe and subsidiarity became such an issue, the Commission dropped the bridge case."

Engineering and architectural companies in Europe are keen to obtain work from the bridge project. The problem is that it is still not clear what will be built and a final decision is some way off.

Casting doubt on green investment

By Bronwen Maddox

The cost of going green is still a worry for many businesses, and environmental costs are expected to rise sharply, according to a new report* by consultants P-E International.

The companies' comments come as evidence emerges from the oil industry that the annual costs of pollution control will have risen by 50 per cent in less than a decade and the costs may be handicapping the companies' ability to invest.

After years of regarding environmental measures as a cost, ministers and environmental consultants are now fond of proclaiming, almost as an axiom, that greener means richer. However, these figures on the real impact on businesses' costs suggest many companies are right to question whether environmental investment really represents an opportunity.

The report says "over two thirds of companies expect operating costs to increase as a result of addressing environmental issues". More than three quarters attribute the need for changes to EC directives, compared with 47 per cent citing UK legislation as a source of pressure.

The survey, which analyses 250 companies about their "logistics" – every part of the supply chain from buying raw materials to distribution and packaging – was conducted together with David Bellamy Associates, a subsidiary of P-E run partly by David Bellamy, the environmentalist. It adds: "There is considerable uncertainty about the commercial benefits of responding to many environmental concerns. A large proportion of companies, therefore, intend to wait until they are forced into action by legislation".

Like many consultancy reports, the survey argues: "The ability to be pro-active . . . will determine which companies will prosper". But the evidence for this conclusion is not fully supported by the report.

Although P-E found that where the companies had taken environmental steps such as reducing packaging there was "a very significant cost reduction element", this does not demonstrate that environmental measures can be in a company's financial interest so much as raise questions about why the management had neglected to take the steps earlier.

Jan Szymankiewicz, managing director of P-E's logistics consulting arm, argues that companies which anticipate environmental legislation have the chance to adapt more gradually and cheaply than those that leave it to the last minute. While this is plausible, plenty of exceptions can be envisaged, particularly where the relevant environmental technology is changing fast to the benefit of those companies which wait.

Szymankiewicz agrees, too, that environmental investment could lead to a competitive disadvantage for companies exporting to regions with different environmental rules: "It is probably true that they will have higher costs [because of compliance with the green rules]."

Evidence to support that concern is emerging from the oil industry. The Petroleum Industry Association, in an informal poll of its members, has found that their total investment will rise from an average of around £170m a year in the last three years to £270m a year over the next five years.

However, the association has also found that the companies' total investment spending has scarcely risen, suggesting environmental investment may be squeezing out other spending that could improve competitiveness.

There are no clear-cut answers to whether environmental investment is a burden or an opportunity for businesses – they are buried in the companies' figures for operating costs, investment and market share. As the impact of compliance with recent legislation on companies becomes clear, some of the rhetoric about environmental investment may give way to a clearer picture of what companies can be expected to deliver.

**Going Green – the Logistics Dilemma. P-E International. Tel 0734 434411.*

ARTS

Opera/**Max Loppert**

La Damnation de Faust

The Berlioz work with the highest tally of opera-house performances is not one of his three operas but *La Damnation de Faust*, the Goethe-inspired "dramatic legend" written for the concert hall. Berlioz's libretto is decked with stage directions ("Distant sounds, rustic and war-like, begin to disturb the calm of the pastoral scene") which nevertheless are intended to be executed in the listener's imagination.

"*La Damnation*", David Cairns has written, "has the character of a dream" – lightning-swift in the modulation of mood and passage of incident, shaped with a dramatic logic unarguable but impalpable, carried on a current of brilliantly coloured and beautiful musical invention, an opera not of the stage but (Cairns's words) "the mind's eye". So is any attempt to realise it theatrically an act of artistic hubris? Is it sheer producer's pride, designer's delirium, management mania that brought *La Damnation de Faust* to the Coliseum in 1969 (revived 1980), and that now brings it to Covent Garden for the first time since 1933?

Answers to those questions will surely be as numerous and as diverse as the audience-members themselves; the minority who at Monday evening's curtain calls made plain their dissatisfaction with Harry Kupfer's new Covent Garden staging, in the designs of Hans Schavernoch (sets) and Reinhard Heinrich (costumes), deserve tolerance and even sympathy. Myself, I sat utterly dazzled and enchanted, drinking in the kaleidoscope of visual images counterpointed with the music, convinced (at least temporarily) that this must be the most completely ravishing score of the entire 19th century, and longing at the close for an instant repeat performance.

For me, indeed, this was two-and-a-half hours (unbroken by interval) of music-theatre magic. The engagement for the occasion of the world's leading Berlioz conductor is of inestimable benefit: a *Damnation of Faust* production considerably less mercurial than Kupfer's, less deeply imbued with Berliozian intelligence, irony and Romantic passion, would no doubt still take wing as a result of Colin Davis's lifelong involvement in the music.

Michael Geliot's 1969 Coliseum staging employed a combination of projected images and processional devices to attempt a theatrical encapsulation of Berlioz's dream-dramaturgy. (Film has often been claimed as the work's ideal medium, although so far no-one has managed to put that belief to the test.) Kupfer works with simpler materials – gauzes, flying and trollied props, light-flashes; giant dolls – which he compounds with speed and legerdemain, in ways that evoke the manifold pleasures of "naive" theatrical experience while simultaneously throwing out complex reflections about the work itself.

The basic set is a 19th-century theatre auditorium, with boxes and a central glass door: old Faust enters it in silence at the start, a refugee from a snow-bound world. (*La Damnation de Faust* was given its concert-performance premiere in a Paris opera house – the Paris Opéra-Comique – on a day in November 1846 when ferocious fierce snow-flurries contributed to the work's poor attendance and reception.)

Into whatever form and guise it develops in the course of the evening, the relationship between this Faust – or Faust-Berlioz, one soon comes to think of him – and this theatre-within-a-theatre is held at a remove: he wanders through the staging as through a landscape filled with fleshly delights to which he is alien, a world coarse in bourgeois manners and crudely militarised, an environment he can only dominate by submitting to the dictates of an embodied negative conscience.

Poetic irony is the key to Kupfer's Berlioz vision, an irony achieved in a succession of fluidly forming and dissolving theatrical images which the spectator is invited to absorb into his experience of the score, his awareness of its composer, its literary sources, its period of creation, its position in the history of Romantic artistic expression.

Almost everything in the staging manifests profound sympathy with the precise quality and character of the musical invention: the sardonic whip-crack of Mephisto's exchanges, the hollow exhilarations of the martial sequences, the exquisitely elusive lyricism of Marguerite's doomed passion. Even in the ending – Kupfer devises here an effect of Brechtian alienation which wholly undermines the heavenly-salvation finale, and which will prove the production's most controversial feature – faith is kept with Berlioz's tracing of (as Cairns puts it) "the defeat of the Romantic dream".

Alastair Muir

Jerry Hadley, Olga Borodina and Samuel Ramey

Davis's *Damnation de Faust* reading has matured. Energy, intensity of colour and line, command of rhythm are still its notable characteristics, enriched now by an "inner" awareness of musical sense and direction that fills every note with an extraordinary iridescent glow. On a keyed-up first night, with so sophisticated a staging to attend to, pit and stage were not always exactly co-ordinated (a substitute Brander who lost his way caused problems in the Tavern scene). But already there were marvels of idiomatic playing and choral singing to relish – and no doubt these will be infinitely increased during the run.

The star of the show is Samuel Ramey, in magnificent form as Mephistopheles, singing with the fastidious control of tone, line and word that marks the natural Berliozian, and playing with a masterly balance of wit, seriousness and menace. Jerry Hadley's tenor, excellently well suited to the French repertory, sounded on Monday a little dry in its lower reaches, a little too ready to fall into rasping parlando; his Faust is an alert, personable, quick-spirited figure.

Olga Borodina's beautifully full, soft-textured, wide-ranging mezzo-soprano lacks the admirable distinctness of verbal delivery of both her colleagues: altogether, this opening-night Marguerite was a sketch which will surely be filled out during the run. I wish I could witness that filling-out process; I wish I could attend all remaining five performances!

Sponsored by The Friends of Covent Garden; in repertory until March 25

With spring in their steps

Clement Crisp reviews young dancers at the Paris Opéra

A dancer's life is short, and youthful promise has a nasty habit of fading away, either by reason of neglect or because of the pressures within a ballet company. The golden gift we saw at graduation – or thought we saw – turns to some baser material as time passes, and occasional soloist roles are the reward for what once seemed a talent to storm the heights. The Paris Opéra Ballet has in latter years set aside evenings in the Palais Garnier to celebrate the potential of its youngest dancers, so that the Paris public (always very partisan) may judge the gifted young, and the gifted young may have moments of glory as a reward for talent, and a taste of greater rewards to come.

The evenings are tremendously exciting. A clue to the Opéra's dance style lies in display, in assured prowess, in the assertion of "moi". Some years ago, in Natalia Makarova's *Ballerina* series for BBC TV, shots of class at the Opéra superb Ballet School found the teacher urging her girls to show *plus de chic; beaucoup plus de chic*. It's a phrase which sums up a lot about attitudes at the school and in the company. Technique, the presentation of the dance, is glossy, and has that wit which is an essential component of chic. Russian young can look soulful (though sublime) by comparison. Americans may appear hard-driven in attack; the English somewhat demure. Most of the young French, if not all – as I saw on Saturday night – take the stage with an allure that speaks of confidence and a clear sense of their identity. At worst they are over-vivacious: at best they are world-beaters.

The programme, given on three successive evenings, comprised pas de deux and extracts from the repertory. All may not have been for the best all the time – a version of the Fairy variations from the *Sleeping Beauty* prologue did no justice to Petipa, for the Russian classics lie outside the Opéra's traditions; *Agon* is not for the inexperienced – but the sum effect was of a company (and a teaching tradition) marvellously rich. There were several exceptional talents. A duet from *Le Papillon* with Isabelle Ciavara (aged 20) and Emmanuel Thibault (just 18) was heart-touching. Mlle Ciavara is slight, enchantingly pretty, and delights in the intricacies of quick, clear, tiny steps: the old Russian ballerinas used to call such choreography "weaving lace with your feet". Mlle Ciavara turns, hold a floating pose, is sweetly true in this reconstruction of a mid-19th century spectacle. M.Thibault is of medium height – Baryshnikov, Julio Bocca, his models – and already possessor of a beautifully rounded technique. Marvels are easily done, but more enthralling is his ability to devour space, to race and soar, and seem a meteor. Like Mlle Ciaravola, his manner is still innocent; I long to see them both in *Coppélia*.

A grand contrast came with Aurélie Dupont in Balanchine's *Tchaikovsky pas de deux*. Winner of the junior gold medal in last year's Varna Ballet Competition, she has an all-conquering skill, but it is allied to a lusciousness of pose (her back, torso, have a fluidity and power more Russian than French) and to an innate musical sensibility. Her manner is serious – if she flirts with anything, it is with the phrasing of the dance, and that she does divinely – and I hope the world will be hers, for she seems destined for great things. She had as companion the young but already established, and splendid, Nicolas Le Riche ,hero of the recent house revival of *Le Train Bleu*.The pas de deux was radiant.

Ghislaine Fallou is another exceptional talent. She, too, revealed a dignity of presence, a lovely clarity of pose and grace of phrasing. She needed all these to redeem Ben Stevenson's *Three Preludes* in which she was trapped with her partner, the elegant Yann Bridart. The dance amounts to hollow emotings to Rakhmaninov – it is a faked choreographic orgasm – but these devoted artists gave the movement a sincerity which redounds enormously to their credit. Another rescue operation was performed by Delphine Baey and Emmanuel Hoff in the duet from William Forsythe's *In the middle*. Mlle Baey produced the dead-pan force, the far-flung limbs and the general air of aggressive boredom that the piece demands. I would love to see her in a ballet: she is a physically dramatic dancer, excellently matched by M. Hoff.

There were other young performers on view, their moments of glory well merited. How good to see a great national troupe able and willing to salute its next generation. And in matter of dance, it is worth urging any visitor to Paris to the Matisse show at the Beaubourg, where you can see the Petersburg version of *La Danse*, its movement as thrilling as the activities of the apprentice angels at the Palais Garnier.

The Paris Opera Ballet will be on tour at the Kennedy Center, Washington, from March 18-28. Sponsorship by A.R.O.P, the Florence Gould Foundation, American Friends of the Paris Opera, and Air France

Television/**Christopher Dunkley**

Thick, and proud of it

The proletarianisation of British television is proceeding apace. This is, perhaps, no great surprise; after all, television in the US, commercial in tooth and claw from the very beginning, has always been aimed straight – and almost exclusively – at the tabloid market and in the UK the writing has been on the wall for five years. Like so many politicians, Thatcherites never liked broadcasters whom they saw as unelected troublemakers. When Mrs Thatcher was Prime Minister, Norman Tebbit (so charming, so civilised, so urbane in BBC2's interview with David Dimbleby on Sunday) was set loose to savage the broadcasters as only he knew how, while Mrs T. herself listened to the opinions of her favourite mass media mogul, Rupert Murdoch.

It was Mr Murdoch who, at the 1989 Edinburgh Television Festival, declared that much of what passed for quality on British television – snobbish old fashioned drama, for instance – was really no more than a reflection of the values of the narrow elite which controlled broadcasting and had always believed that its tastes were synonymous with quality. Just how these pointy headed snobs tricked the viewing millions into watching *Brideshead Revisited* and *Jewel In The Crown* was something he did not explain. He did, however, make it pretty clear that what was needed was a lot more channels like his own, Sky, an opinion which he presumably impressed upon his friend Margaret Hilda.

Whether or not we are talking here about direct cause and effect, a few years later we find ourselves with a newly arranged broadcasting system in which Channel 4 has to compete for ratings in a manner which was never previously necessary, and the ITV companies are driven into a vortex of market competition in order to find the money to pay back the millions which they had to bid at auction to acquire their franchises, not to mention the Treasury tax. The BBC meanwhile declares that, as a result of the changes in the industry, it will inevitably lose a third of its audience over the next few years.

The outcome, on screen, is that the Reithian principles on which broadcasting in this country has traditionally rested are now being turned upside down. Reith believed that you should aim programmes slightly above the intellectual level of your expected audience and thus keep encouraging people to improve themselves. A growing number of programmes now appearing on our screens do the opposite: rather than helping the audience up, they drag the subject down, seeking a level where it can appeal to the most casual channel zapper.

Thus *Harry Enfield's Guide To Opera* on Channel 4 is got up to look quite literally like a comedy. Enfield and Paul Whitehouse who have been so hugely successful in such double-acts as Smashie and Nicey, the disc jockeys in *Harry Enfield's Television Programme*, appear here as Dad and Son, a couple of cheeky chappy cockneys (apparently the sort of people we should admire for liking opera) and also as The Opera Ponces who enthuse over the more arcane aspects of opera in public school accents (and therefore, it seems, deserve our contempt). Mr Murdoch should be delighted.

The opening episode contained lots of famous extracts, interestingly using Opera North and Paul Daniel as the "resident" company rather than the ENO or Covent Garden as might have been expected, and it was very funny. Enfield's thumbnail sketch of a typical opera – "Act 1, bird comes on, warbles . . . Act 3, mixture of snogging and violence . . . Act 4, one of the blokes has a bit of a sing by himself, reads a letter from his mum . . ." was hilariously accurate. Perhaps the series will, indeed, induce some of those who know opera only via the *World Cup* signature tune and the Three Tenors concert to buy some CDs or even a ticket for an actual performance.

But you can hardly miss the dramatic contrast in tone between this series and, say, *Civilisation* which, though made 25 years ago, has continued to typify – or serve as the great example of – arts programmes on British television until now. Kenneth Clark would not have referred to an opera audience as "smug gits in dinner jackets", one of several phrases from Enfield which reeked of snobbery, albeit the inverted sort. Would smug gits really become more worthwhile in his eyes if they wore shell suits from C & A?

A similar attitude of "I'm thick and I'm proud of it" has permeated the first two episodes of *A Year In Provence* on BBC1. In previous years a series about a couple throwing up middle class life in London to live in an old stone farmhouse in southern France would probably have accepted Provençal life on its own terms and enthused over the unfamiliar culture. But that would hardly have held the attention of the channel-hopping soccer fan, would it, so here we get the soccer fan attitude to abroad.

Froggies are daft foreigners who insist on speaking a barmy foreign language, they're all wind and show, incapable of sticking to a job for more than a day, and everything from their driving to their weather is deeply doubtful. Subtitles, as Mr Murdoch would doubtless explain, are disgracefully élitist, and so we have two embarrassingly awful substitutes: Lindsay Duncan as the wife translates anything which is spoken in French, so that the dialogue moves at snail's pace, and John Thaw as the husband speaks Franglais: "Le problem is les pipes. Burstez" or "Qui est le woman maniac avec le black voiture?" The appeal is to precisely that sort of xenophobic mentality which has become so familiar in recent years from television's coverage of the British soccer fan abroad.

The dragging down of the level of appeal is not limited to arts programmes and drama. More and more television journalism is now concerned primarily with entertainment. Much of it, such as *Life* and *CD*, as was noted here two weeks ago, is bitty and sensational. Even among more serious programmes such as ITV's *Disguises* there is a concentration on "human interest" which is certainly attractive and may at first seem quite reasonable but which proves on subsequent inspection to involve the abandonment of that contextualisation and analysis at which British current affairs programmes had become rather good. For the first two programmes in the *Disguises* series Adam Holloway has played a schizophrenic living rough and seeking medical help and accommodation. They have provided a vivid illustration of the failure of the "care in the community" theory which the government used to close down so many wards in mental hospitals. But they have not extended thought beyond that vividness.

Harry Enfield and Paul Whitehouse as Dad and Son in 'Harry Enfield's Guide to Opera'

If this is the evidence on screen a mere 10 weeks after the introduction of the new system, how will matters look after 10 months? It seems clear already that the increase in competition for audiences is going to become keener yet. Perhaps Alan Yentob, who has done such a good job with BBC2 and now been asked to take over BBC1, will manage the amazing feat of improving quality on the corporation's more popular channel without losing too large a proportion of the audience. But that still leaves ITV and Channel 4 to worry about, and of course the satellite and cable networks which – we are now assured – could be offering 500-channel systems, thanks to digital compression, in a matter of months rather than years.

The claim has always been that when the technology finally overcomes network scarcity we can all stop griping about programme quality because the choices will be infinitely varied: television, like print, will provide everything from a solid diet of pornography or comic trivia to a balanced diet of grand opera, serious journalism and high quality drama. I wonder.

INTERNATIONAL ARTS GUIDE

■ BONN

Bonn Opera has Otello tonight and Sat, and Der Freischütz tomorrow, Sun and next Wed, both staged by Giancarlo del Monaco and conducted by Dennis Russell Davis. March 21: new production of Puccini's Trittico. March 22: Lucia Popp song recital (773667)

■ COLOGNE

CONCERTS

Philharmonie Tonight: Cleveland Quartet plays Haydn, Smetana and Ravel. Tomorrow: Peter Schreier conducts Bach's St John Passion. Fri: Egberto Gismonti Group, jazz. Sat: Alexander Lazarev conducts Bolshoy Orchestra. Sun morning, Mon and Tues evening: James Conlon conducts Gürzenich Orchestra in Chopin's First Piano Concerto (Tzimon Barto) and Bruch's Second Symphony. Sun evening: Muhai Tang conducts Rhineland Pfalz State Philharmonic in Prokofiev and Brahms (2801)

OPERA

Opernhaus Tonight and Sat: James Conlon conducts Ian Judge's production of Macbeth, with Franz Grundheber and Elizabeth Connell. Tomorrow: Zar und Zimmermann. Fri: Lohengrin with Gary Lakes, Eva Johansson and Sergei Leiferkus. Sun: TanzForum triple bill. Next Wed: Gwyneth Jones song recital. March 25: first night of Liviu Ciulei's new production of Cosi fan tutte (221 8400)

THEATRE

Schauspielhaus Tonight: Heiner Müller's Shakespeare Commentary. Fri and Sat: Jakob Lenz's The Soldiers directed by Werner Schroeter. Sun: Hebbel's Maria Magdalena. The Kammerspiele has Wedekind's Musik on Fri, Sat, next Tues and Wed (221 8400)

■ COPENHAGEN

Royal Theatre The main event this week is the first night on Sat of a new production of Drot og Marsk, a Danish historical opera composed by Peter Heise in 1878. John Frandsen conducts a cast including Poul Elming, Tina Kiberg and Kjeld Christoffersen. The repertory also includes Le nozze di Figaro and Bournonville's A Folk Tale and Napoli (3314 1002)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight: ballet mixed bill, including Forsythe's In the middle. Tomorrow: Die Fledermaus. Fri: Goldberg Variations, new ballet by Heinz Spoerli. Sat: Swan Lake. Sun: Aida. March 20: new production of Aribert Reimann's opera Das Schloss (211-8908 211). The Duisburg Theatre has Carmen on Fri and Sat, Giselle on Sun and Don Carlo next Tues (203-3009 100)

Schauspielhaus Tonight: Ariel Dorfman's Death and the Maiden. Fri: Shaw's Heartbreak House. Sat, Sun, next Tues: Odon von Horvath's Zur schönen Aussicht. Mon: Pirandello's Tonight We Improvise. Eduardo Arroyo's Bantam opens on Sat at Kunstsammlung NRW, directed by Herbert König (211-162200/ 211-369911)

■ FRANKFURT

Alte Oper Tonight: Megadrums, international percussion group. Tomorrow: Ute Lemper. Sat: Herbert Blomstedt conducts San Francisco Symphony Orchestra in works by Copland and Bruckner. Sun morning, Mon evening: Leonard Slatkin conducts Frankfurt Opera Orchestra in Barber, Bloch and Dvorak, with cello soloist Mischa Maisky. Sun evening: Michael Gielen conducts South German Radio Orchestra in Tchaikovsky, Berg and Ravel (1340 400)

Jahrhunderthalle Hoechst Tonight and tomorrow: Nederlands Dans Theater. Fri: Roger Whittaker. Sat: Glenn Miller Orchestra. Sun: Herbert Blomstedt conducts San Francisco Symphony Orchestra in Dukas, Sibelius, Harbison and Stravinsky (3601 240)

Opernhaus Tomorrow and Sat: Ekkehard Kloke conducts Werner Schroeter's new production of Lady Macbeth of Mtsensk, with Kristine Ciesinski and Sergei Larin. Fri and Sun: Britten's A Midsummer Night's Dream. March 21: revival of Nixon in China, opera by John Adams (236061)

Schauspielhaus Tonight: Schnitzler's Undiscovered Country. Fri: first night of new production of Shakespeare's Othello, directed by Peter Eschberg (also Sun). Sat: Sophocles' Antigone. March 18: revival of Frankfurt Ballet production of William Forsythe's Limb's Theorem (2123 7444)

English Theater Kaiserstrasse Fri: first night of new production of Ariel Dorfman's Death and the Maiden. Daily except Mon till May 15 (2423 1620)

■ GOTHENBURG

Konserthuset Tonight and tomorrow: Neeme Järvi conducts Gothenburg Symphony Orchestra in works by Milhaud, Tamberg and Brahms. Next Tues: Stephen Hough piano recital (167000)

■ HAMBURG

OPERA

The main event this week at the Staatsoper is the premiere on Sun of Günter Krämer's new production of Siegfried conducted by Gerd Albrecht, with Heinz Kruse and Gabriele Schnaut (repeated March 20, 23, 31, April 12). The repertory also includes Madama Butterfly tonight and Fri, and La boheme on Sat and Tues (351721)

CONCERTS

Fri at Musikhalle: Barbara Hendricks song recital. Sun morning: Haydn and Schubert concert. March 19: San Francisco Symphony Orchestra (354414)

THEATRE

A new production of Feydeau's farce A Flea In Her Ear opens at Deutsches Schauspielhaus on Sat directed by Peter Löscher previews tomorrow and Fri (248713). The repertory at Thalia Theater includes Ariel Dorfman's Death and the Maiden and John Osborne's The Entertainer (322666)

■ LEIPZIG

Kurt Masur conducts the world premiere of Siegfried Matthus' new symphony tomorrow at the Gewandhaus, in a concert marking the 250th anniversary of the Leipzig Gewandhaus Orchestra. Sun: Tatiana Nikolaeva plays Bach. Next Tues: Mark Gorenstein conducts MDR Symphony Orchestra in Mahler's Ninth (7132 280)

■ MUNICH

Gasteig Tonight, tomorrow evening, Sun morning: Sergiu Celibidache conducts Munich Philharmonic in works by Mozart and Brahms. Sat: Prague Symphony Orchestra plays works by Beethoven, Dvorak and Smetana. Sun evening: Carol Vaness sings opera arias. Tues: Ivo Pogolreich piano recital (4809 8614)

Cuvilliés-Theater Tonight, Fri, Sat and Mon: Manfred Trojahn's opera Enrico. Sun in the **Prinzregententheater**: Julie Kaufmann song recital (221316)

Gärtnerplatztheater Tonight and Fri: Luisa Miller. Tomorrow, next Mon and Thurs: new production of Siegfried Matthus' Cornet Rilke opera. Sat: Le nozze di Figaro (201 6767)

■ LYON

Auditorium Maurice Ravel Tonight, Fri, Sat: Philippe Herreweghe conducts Jean-Claude Berutti's Opéra de Lyon staging of Schumann's Manfred (7828 0960). Tomorrow: Emmanuel Krivine conducts Orchestre National de Lyon in Berlioz, Schumann, Jarrell and Ravel, with solo pianist Jean-Marc Luisada. Next Thurs: Anne Sophie Mutter (7860 3713)

■ STOCKHOLM

Royal Opera Tonight, Fri, Mon: ballet mixed bill, works by Renato Zanella, Jiri Kylian and Alvin Ailey. Tomorrow: Cav and Pag. March 20: first night of new production of Pelléas et Mélisande (248240)

Rotundan Sat, Mon, next Wed: Amorina, new romantic chamber opera by Lars Runsten (248240)

House of Dance Cullberg Ballet till March 27, with works by Ek, Taylor and Naharin (796 4910)

Konserthuset Tonight and tomorrow: Niklas Willen conducts Stockholm Philharmonic Orchestra in Alfven, Schumann, Albeniz and Ravel. Next Wed: Gidon Kremer (244130).

European Cable and Satellite Business TV
(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

MONDAY
Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630

WEDNESDAY
Super Channel: Financial Times Reports 2130

THURSDAY
Sky News: Financial Times Reports 2030; 0130

FRIDAY
Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530

SATURDAY
Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230

SUNDAY
Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

Asia as a region

A forum for co-operation should be encouraged

We all know that China contains roughly a quarter of the human race. Given that fact, it is remarkable how unimportant to the rest of the world it has been and, as of this moment, still is. For Japan, despite its proximity, China is no bigger a trading partner than Australia. As a market for British exports, it is one-quarter the size of Australia, and only just bigger than New Zealand.

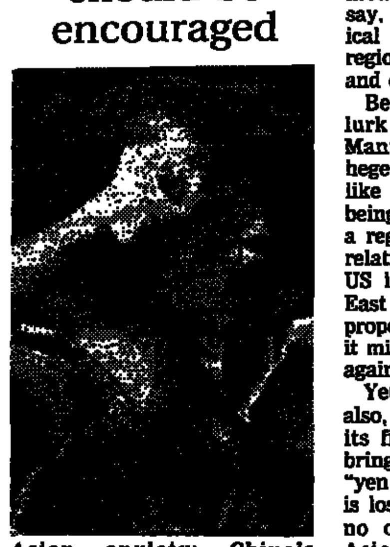
Precisely because China is so vast, its energies until now were turned inward. In the 19th and 20th centuries its development was held back by internal upheavals, as well as by foreign interference and conquest. From 1949 to 1978 it was walled in by a draconian form of communism. But since 1979 China has been changing at breakneck speed. During the 1980s growth averaged nearly 10 per cent a year, and after a brief dose of austerity following the 1989 Tiananmen massacre it climbed again to 12 per cent last year.

Some of the implications are spelt out by Peter Ferdinand, of the Royal Institute of International Affairs, in a paper prepared for last weekend's UK-Japan 2000 Group meeting at Awashima, near Tokyo. He refers to "rudimentary calculations at the IMF" suggesting that on current growth trends China could overtake Japan and become the second largest economy in the world "around or soon after the year 2000".

Simple projections of current trends are nearly always wrong, of course. Mr Ferdinand lists political, economic, environmental, administrative and foreign policy problems that China now has to confront. But he also sees similarities between China's development model and those of other east Asian economies, which have sustained high growth for 20 years or more, based on a high ratio of savings to gross domestic product.

Already there is a de facto "Chinese economic area", linking Hong Kong and Taiwan to the mainland. This in turn, says Mr Ferdinand, will be increasingly integrated "into the dynamism of the broader Asia-Pacific region".

It is thus quite plausible that Chinese growth will continue through this decade at an average of 7 per cent, while exports rise from their current 17 per cent share of GDP to at least 20 per cent. In that case, China's share of world trade could be 3.5 per cent by the year 2000 – the share that Canada, a G7 member, has now.



Asian anxiety: China's military power is a concern

China's military power will no doubt keep pace. It is currently buying large numbers of SU 27 and MiG 31 fighters from Russia, and has shown interest in acquiring an aircraft carrier from Ukraine.

Increasing defence expenditure is a general trend throughout the region. In part, it reflects the increased spending power of states with rapidly growing economies, but it also stems from a general insecurity. Peace, a necessary condition for continued economic growth, is not taken for granted. Indeed, many of China's neighbours are less inclined to take it for granted than in the past, when the cold war made it reasonably certain that the US would remain militarily engaged in the region.

Yet it is hard to believe that a regional arms race is the best way, either to encourage the US to stay in the region or to compensate for its withdrawal. What is needed is a multilateral political relationship which would both reflect and ensure the growing interdependence of the region's economies.

East Asians are quick to tell you that their region does not lend itself to institutions such as Nato, the EC or the Conference on Security and Co-operation in Europe. It lacks a common cultural heritage, they say, and even a clear geographical identity. The states of the region have divergent interests and different political systems.

Behind these abstractions lurk more specific anxieties. Many fear a new Japanese hegemony, while Japan (rather like the UK in Europe) fears being forced to choose between a regional role and its special relationship with the US. The US itself has discouraged the East Asian Economic Caucus proposed by Malaysia, fearing it might lead to discrimination against US exports.

Yet, ironically, the US has also, by pushing Japan to open its financial markets, helped bring about the beginnings of a "yen zone" in which the dollar is losing ground. And there is no obvious reason why an Asian economic grouping should be any more protectionist than the North American free trade area. East Asia is even more dependent on international trade than are North America and western Europe; and so has even less interest than they do in a world of protectionist trading blocs.

The emergence of China as an economic power should make multilateral relationships in Asia easier to manage because they would no longer automatically be dominated by Japan. It also makes them more necessary. If China is isolated it will remain suspicious of external powers, and more inclined to rely on military strength for its security, which in turn will make neighbouring states less secure.

What is needed is a forum in which China and other states interested in east Asian security (which must include Russia and the US) can find ways of reassuring each other about their military capabilities and political intentions. The next post-ministerial conference of the Association of South-East Asian Nations would be a good place to start.

Andrew Jack examines growing pressures to reform Britain's corporate insolvency law

Little succour for the stricken

The threat of further job losses hanging over British workers at Leyland Daf, the commercial vehicle maker in receivership, is a striking reminder of the destructive process of insolvency creeping across corporate Britain.

The introduction of the 1986 Insolvency Act after nearly a decade of debate was seen as an important support for struggling businesses. But after being put to its first real test in the recession, that belief is now being called into question.

Mr Chris Hughes, head of insolvency at Coopers & Lybrand, the UK's largest accounting firm, reflects this pessimism. He says that all too often the law amounts to a prescription to "bayonet the wounded" among companies in financial difficulty. He calls for wholesale reform of the law.

His remarks had important symbolic value, since the 1986 Insolvency Act was based on a report by a committee chaired by the late Sir Kenneth Cork of Cork Gully, the insolvency firm which merged with Coopers 13 years ago. The report called for measures to help businesses in debt survive and preserve their employees' jobs. Its proposals proved highly controversial, and the legislation had 1,200 amendments before it was passed.

The evidence suggests Sir Kenneth's hopes have not been realised. Figures from Dun & Bradstreet, the corporate information group, show 16,600 business failures in 1982, in the middle of the last recession. In 1992, the number was 62,800. Failures as a proportion of all companies paying value-added tax jumped from 1.2 per cent in 1982 to 2.8 per cent in 1991.

Several insolvency firms have started to call for modifications to the law. Their primary concerns focus on improvements to the operation of two procedures introduced by the 1986 act: administration orders and company voluntary arrangements (CVAs). More radical suggestions would weaken the power of creditors.

Administration orders offer the chance for a company to survive by keeping it trading and protected from its creditors while it restructures. Companies apply to the courts for such protection and, if the application is successful, an insolvency practitioner is appointed to oversee the process. Well-known examples include Mr Asil Nadir's group Polly Peck International, British & Commonwealth, the financial services group, and Olympia & York, the developers of Canary Wharf.

In some cases administration has proved successful. Chancery, a small financial services company, was successfully reconstructed at the end of 1991. But most companies under administration have failed to emerge intact.

Mr Hughes argues that more companies should be encouraged to apply through the courts for protection, by simplifying the procedures and by removing disincentives. These include the requirement for the administrator to report on the conduct of the company's directors. He would also like the law to permit creditors to apply for administration orders and the courts themselves to propose them.

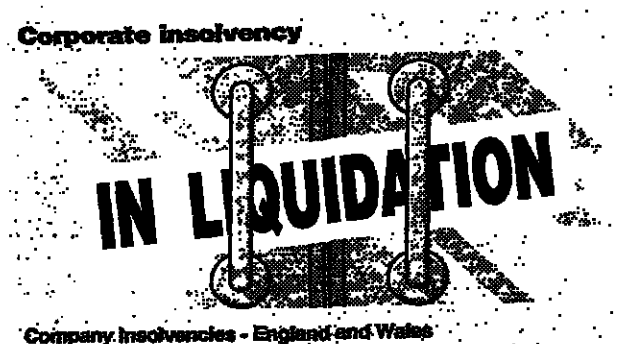
Few want to see the procedure become more like the protection from creditors offered under Chapter 11 in the US. This leaves the management in charge of the company, generates a complicated series of creditors' committees and results in large professional fees over years. "Chapter 11 is frightful," says Mr Mark Homan of Price Waterhouse, the accountancy firm. "The debtor is lawyered to death."

Insolvency practitioners are equally eager for reform of company voluntary arrangements, under which the management puts up a restructuring proposal to creditors and continues to run the company. CVAs have to be approved by court order but the system is far less bureaucratic than other insolvency procedures.

However, under the current CVA system, a company has no protection from its creditors once it has informed them of its need to renegotiate its debts – unlike under the system of administration. Neither do CVAs offer protection to directors against wrongful trading prosecutions if they operate insolvent businesses. As a result, CVAs are only normally used once an administration order is coming to its end.

"We need a stay of execution of about a month under some supervisory authority during which directors have the chance of renegotiating their debts," says Mr Homan. During that period, the company would be protected from any action by its creditors.

Corporate insolvency



Company insolvencies - England and Wales	1989	1990	1991	1992
Compulsory liquidations	4,020	5,977	8,368	9,732
Creditors' voluntary liquidations	6,436	9,074	13,459	14,692
Total	10,456	15,051	21,827	24,424
Proceedings related to insolvency - England and Wales				
Receiverships	1,706	4,318	7,515	n/a
Administrator appointments	135	211	206	120
Voluntary arrangements	43	58	137	76
Members' voluntary liquidations	3,966	4,092	3,719	n/a
Company insolvencies - Scotland				
Compulsory liquidations	229	251	304	n/a
Creditors' voluntary liquidations	199	219	312	n/a
Total	428	470	616	n/a
Proceedings related to insolvency - Scotland				
Members' voluntary liquidations	241	284	253	n/a

NB Some companies subject to more than one form of proceeding. Source: DTI

The problems with administration orders and CVAs are illustrated by the fact that since the 1986 law went into effect they have been used in less than 1 per cent of all insolvency procedures (see table).

Many companies entering receivership do not end up in liquidation, but are ultimately sold as running businesses without the loss of all their employees. But the process is still destructive, since it may jeopardise the survival of other small businesses or individuals who are creditors to the company and are unlikely to be paid in full. "One company's bad debts are another company's failure," says Mr Paul Shipperlee of accountants Levy Gee.

A more radical approach to cutting the number of insolvencies, advocated by some practitioners, would be to reduce the incentive of creditors to appoint receivers. That could be achieved by abolishing floating charges – the system whereby banks secure their loans against all of a company's assets. This gives the receiver the power to raise funds on behalf of the creditor from across the business.

In most other countries, by contrast, banks can only secure loans with fixed charges on specific named assets. Receivers, appointed by the banks, are therefore more restricted in their ability to raise funds from the business concerned.

The various calls for insolvency reform have, until recently, received little official support. But late last year, the Department of Trade and Industry announced a wide-ranging reform of company law. A part of this review, according to Mr Neil Hamilton, minister for corporate affairs, would include an examination of company voluntary arrangements. Further details are expected later this year.

But there is still much disagreement about how extensive reform should be. Mr Nigel Hamilton of Ernst & Young, the president of the Society of Practitioners of Insolvency, believes that the procedures of administration and CVAs needs some amendments. However, he says radical reform is not necessary and that the existing law can be made to work.

Insolvency practitioners are also reluctant to endorse publicly reform of floating charges, since so much of their business is awarded by banks. Banks would resist any move to curb their power over borrowers. But the ideas are being discussed by bodies such as the insolvency lawyers association.

Equally, Mr Nigel Hamilton argues that a "rescue culture" cannot be achieved by changes in the law alone. He says that the Inland Revenue and Customs & Excise – typically large creditors to companies in trouble – are often too inflexible in negotiations which could save a business. More generally, he says that by the time insolvency practitioners are called in, it is often too late to achieve a rescue.

A recent survey by the society estimated that the most important reason for company collapses was management failure. Many left it far too late to seek professional assistance in paying their debts, leaving little alternative to receivership.

Mr Chris Morris, head of corporate special services at Touche Ross, the accountancy firm, says he frequently comes across directors who have pursued lavish lifestyles, written cheques to creditors but then stuffed them into desk draws, and failed to send out invoices. "We suffer from a lack of competent management to steer companies through difficult times," he says.

The quality of management is unlikely to improve quickly. But with reform of insolvency procedures also expected to be a protracted process, many more companies, their creditors and employees will face the prospect of collapse.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

London in urgent need of transport investment

From Mr Peter W Corfield.

Sir, Your leader, "Rail in London" (March 9), is right to highlight the serious flaws in the logic upon which the rumoured postponement of Crossrail is based. It should be borne in mind that the same manipulators of statistics influenced the capacity of the M25 – a brilliant exercise in forethought, analysis and planning for growth. In this case, they appear to have overlooked the Paddington-to-Heathrow link, among other things.

There is little doubt that the transport infrastructure in and around London is at crisis point and, political dogma apart, is in urgent need of significant investment. If London is to retain its position in the premier league of international financial centres that investment must be committed now – and not just on rail projects.

Those responsible for traffic planning in the metropolis seem obsessed by their need to manipulate congestion instead of adopting a longer-term policy of providing diversity. There is no value in diverting the congested A13 traffic on to the new Docklands highway if, as is likely, the result is gridlock at Tower Hill. Similarly, there is no point in providing the Channel tunnel termini at Stratford and Waterloo if the Jubilee Line is not extended.

Your editorial is wrong, however, to compare Crossrail with the Jubilee Line. Twenty-five per cent of the cost of the Jubilee Line extension will be borne by the private sector, just as the £3.25bn public investment in infrastructure has been matched by £12.5bn of private investment in the area. Docklands is far from being a "withered extremity". It is alive, confident in attitude and poised to meet the challenges of the 21st century.

Now all we need to do is apply the same formula to the rest of London.

Peter W Corfield
co-founder,
London Docklands Business Initiative,
10 Cabot Square,
Canary Wharf,
London E14 4QB

Wrong assumptions about investment flows in Europe

From Mr Stephen Thomsen.

Sir, There is a dangerous notion about that there are winners and losers from foreign direct investment ("Footloose across Europe's frontiers", March 9). If Britain attracts more investment than the rest of Europe, then it must be a ringing endorsement of British policies, particularly towards labour. The erroneous assumption is that companies are looking for the best place to locate within the single market.

While that may be true in some cases, recent research at Chatham House suggests that the vast bulk of investment flows in and out of the same set of countries. The UK is the largest recipient in Europe but it is also the largest investor. How are we to explain that on the basis of relocation decisions? Like trade, direct investment is often used as a form of market access by companies. Also like trade, investment is a positive sum game.

Stephen Thomsen,
research fellow,
Royal Institute of International Affairs,
Chatham House,
10 St James's Square,
London SW1Y 4LE

New growth theory as the backdrop of policy initiatives

From Mr R Kozul-Wright and Mr J M van Brabant.

Sir, Samuel Brittan's heavy-handed treatment of the new growth theory ("Endogenous growth – treat with care", March 4) misses the core of the debate. He implies that this is merely a re-run of a familiar (and intrinsically flawed) story stressing capital investments and government subsidies. This is incorrect.

First, his summary of new growth theory as "throw[ing] bricks and mortar, machinery or research laboratories at problems" as the "key to prosperity" misses the stress on the interdependence of technology, training, trade and capital investment. Because investment in plant and equipment must be complemented by building up learning capabilities (that is, learning to learn, learning to borrow, learning to do and learning to use), history matters.

Mr Brittan's reaction is to recall the role of entrepreneurship. However, the heroic Schumpeterian figure, and even more the Hayekian agent of arbitrage, is increasingly marginalised by developments in the global economy. The most dynamic firms are acquiring and improving their entrepreneurial capabilities in close co-operation with other firms and public agencies. Similarly, successful national development strategies have involved public support to learn, to experiment and to create. This is the essence of the lessons to be derived from the experience of rapid growth in east Asia, which belies many of the free market nostrums of the 1980s and highlights the importance of public and private co-operation.

Second, while Samuel Brittan is still pondering the etiology of growth and investment, endogenous growth theory is capturing important changes in the global economy. In particular, the explosion in foreign direct investment, which has contributed significantly to the diffusion of technology, to new ways of organising business activity and to new forms of competition in the global marketplace, can now receive the attention it deserves.

On all accounts, new growth theory has brought economists closer to decision-making in Seoul and Tokyo, and now indeed in Washington. This, rather than the spurious calculations of growth accountants, sets the backdrop against which much-needed new policy initiatives can be formulated.

Richard Kozul-Wright and
Jozef M van Brabant,
Department of Economic and Social Development,
United Nations, New York

Call to arms should be heeded

From Mr David A Turnbull.

Sir, In response to your recent articles, "One more talking shop" (Observer, March 2), and "Ten-Point plan for credibility" (March 3) may I make the following comments.

First, the cynicism of Observer's comment, "hands up anyone who hasn't yet formed a pro manufacturing industry lobby group?" is not becoming of your newspaper. This article actually refers to three "pro manufacturing lobby groups". Considering the dire state of the economy and in particular the manufacturing sector therein and the government's apparent lack of belief, interest or support, existence of such groups is hardly surprising.

Politicians and the government should pay more attention to the "call to arms" of dedicated, committed and active manufacturers, which have so far managed to escape the effect of ineffective and inept policies promoted by their political leaders.

Second, I admire the 10-point plan set out by Dr John Pendlebury and David Shipley as it concurs almost exactly with what we in the UK Industrial Group brought to the notice of the public in October 1992 to an extremely positive press response, including your own newspaper.

May I draw your attention once again to the UK Industrial Group which is now taking action on eight of this article's 10 points. Further liaison and long-term planning is needed on the points concerning the education system.

May we therefore ask the government to back its sudden and vociferous interest in manufacturing by communicating with these committed groups. In particular, government should be taking note of the comments of these groups to effect a long-term industrial based economic strategy for the ultimate good of the UK and its people.

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FINANCIAL TIMES

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Wednesday March 10 1993

Major must persevere

BRITAIN WILL ratify the Maastricht treaty. If it fails to do so it will lose its influence in Europe and probably Mr John Major's Conservative government as well. That is why it is highly likely – nothing is certain – that the necessary legislation will be passed during the next six months. The defeat of the government on a minor amendment on Monday night demonstrated that the Conservative party is divided, and that the prime minister is ruling from a position of parliamentary weakness. But that is merely to confirm what was already well-known. It does not mean that the bill will be thrown out.

Nor should it be. The treaty, which is not perfect, is the product of long negotiations during which a number of important concessions were made to British sensibilities. The debate about the degree to which the Maastricht agreement represents a step towards a European federal state is sterile; the fact is that British business believes it has a chance of prospering within the wider European economy, while it would be hard-pressed to thrive if it is obliged to compete alone in the deep blue sea. Even those who are unwilling to concede the merits of Maastricht as a logical development of the single market should accept that for the UK it represents the minimum price of admission to European deliberations.

Most members of the House of Commons understand this. The three national parties fought the election last April on manifestos that indicated support for Britain's developing membership of the European Community. Each one has its contingent of Europhobes, but the prevailing view among Conservative, Labour and Liberal Democrat MPs alike is that the Maastricht treaty must be ratified.

Mr Major should do all he can to ensure that the voice of this majority prevails as soon as possible. The delays caused by the tactics of the bills' various critics and opponents are getting in the way of other business. If the process is dragged on through the summer Britain's commitment to honouring its signature may begin to be questioned by Community partners and potential investors.

The blame for delay should not be shouldered by the prime minister alone, although the government's tactics have been less than brilliant. Labour and the Liberal Democrats, both ostensibly committed to ratification, have become shameless opportunists. The leader of the Liberal Democrats, Mr Paddy Ashdown, wants his party to be noticed; the Labour leader, Mr John Smith, needs to maintain unity in his own ranks by being seen to attack the government whenever possible. The votes of both these "pro-European" parties were cynically combined with those of the anti-European Tory rebels on Monday.

There is not much that Mr Major can do to end the rebels' filibuster, or even to avoid defeat on Britain's opt-out from the social chapter. He cannot agree with Labour that Britain should opt in to the social chapter. That would be unacceptable to a majority of Conservatives. He cannot agree to the rebels' demand for a referendum before the treaty is ratified; that would make a nonsense of his own previous statements, and might even fail to pass through the House.

He could, however, promise a referendum before Britain opts in to a European single currency, if a future government chooses to do so. That would not prevent ratification now. It may allay the fears of at least a few Eurosceptics. Such an offer should only be considered as a last resort. Meanwhile Mr Major must persevere, and take his knocks as the bill is fought according to Britain's quaint rules of parliamentary procedure.

UK calling US

BRITISH Telecommunications' application this week for a licence to operate an international service out of the US provides a golden opportunity to sweep away restrictive practices which keep the cost of transatlantic calls artificially high. The price of calls between the US and the UK – now 56p a minute – could fall by more than half if there were a competitive market, analysts say. Since there are about 1.5bn minutes of telephone traffic between the two countries each year, the prize of cheaper calls is well worth having.

To win this prize, the US and UK will need to take bold action to open up their markets. It will not be easy, given that two years of talks aimed at achieving precisely this have made little progress.

The snag is that, though both governments want a reciprocal opening of markets, their phone companies have provided them with multiple excuses for keeping their markets shut. Whenever the UK's Department of Trade and Industry has suggested opening the UK end of the transatlantic route to more competition, BT and other British phone companies have complained about discrimination against them in the US. Whenever the US Federal Communications Commission has suggested relaxing restrictions on UK companies in the US, American Telephone and Telegraph and other US carriers have pointed out that they are not allowed international licences in the UK.

The result has been a logjam. So successful have the established carriers been in keeping markets closed that one wonders whether their aim has been to gain access to each others' markets or simply to protect their home turf.

BT's licence application offers a chance to break the logjam. This will not be achieved, however, if the authorities in both countries continue to listen to producer lobbies instead of focusing on the wider economic benefits of competitive markets. Politicians also need to take an active interest, rather than leaving the matter in the hands of middle-ranking officials. Mr Michael Heseltine, the UK's secretary of state for trade and industry, should reopen talks as soon as a new head of the FCC is appointed.

Insuring exports

BUSINESS HAS welcomed Mr John Major's recent public espousal of the role of exports in his strategy for economy recovery. But some industrialists argue that they are paying a price for the recent privatisation of the part of the Export Credits Guarantee Department that handles short-term export credit insurance. They are wrong on the privatisation, which has been a success. Where they have a legitimate complaint, however, is over the lack of government arrangements for reinsurance against political risks after 1994.

Exporters are getting better service from NCM – the Dutch credit insurer which acquired the ECGD's short-term business – than could have been delivered by a government department. They can, for example, take out a single credit package for both domestic and international business, where before they needed to take out two. Furthermore, in a market in which NCM is often competing with four other companies for an insurance contract, many exporters have seen premium rates fall.

Meanwhile, the government no longer needs to worry about the bill for insurance of commercial risks, which are firmly in the private sector, where they belong. On reinsurance, however, the government may have gone too far. It must reconsider its decision to make private sector reinsurers assume full responsibility for coverage of political risks associated with wars or political upheavals.

Reinsurers like Munich Re and Swiss Re insist that the private sector does not have the capacity to cope with such political risks, even within the EC. They argue that commercial insurers could never cope with the concentration of risks involved, while the potential effects of the current Italian political crisis on sales to state-owned companies demonstrate that those risks are not confined to developing countries.

As part of the original privatisation, NCM won the government's agreement to offer reinsurance for political risks for a three-year period to the end of 1994. But it is concerned that business is being affected by uncertainty beyond that year.

The government should acknowledge that wholesale privatisation of reinsurance may be an over-ambitious short-term aim. It should prolong the transitional reinsurance arrangements, not only for NCM, but for competitors like Trade Indemnity as well. By setting clear limits to government exposure, however, and ensuring the risk of reinsurance is shared by the private sector, the government could also limit the costs to itself and help foster a private market substantial enough to handle all risks.

The longer-term goal must be the elimination of reinsurance by governments of developed countries against political risks created by one another. Such competition is particularly absurd within the EC. New York does not insure its firms against political risk in California. Why should the UK insure its exporters against political risks in Italy?

Barely afloat on a cruel sea

John Lloyd says that President Yeltsin has few options left as the power struggle in Moscow intensifies

A special Congress of People's Deputies will convene today in Moscow, the latest in a series which has loomed over Russian political life over the past year. Like vast clouds, they roll in from the horizon, preceded by prophecies that this time the deluge they carry will swamp President Boris Yeltsin and his government.

As Timothy Colton, head of Harvard's Research Centre, says in a recent book*, prediction "is about as easy as judging a symphony by its opening bars: the ear picks out isolated chords and notes, melody and rhythm elude it". Using this metaphor, we can say that the Russian symphony becomes more and more discordant, and no one is playing together.

Mr Yeltsin and his government have few options left except to tough it out. Their mood is hard: though whether that hardness has depth, or is simply brittle, will be tested at today's Congress. Mr Yeltsin has threatened unspecific action of an authoritarian kind in order to inspire fear: if Congress calls his bluff, he either has to act decisively – or make yet another messy compromise, which will deepen and prolong the crisis.

The parliament, both Congress and the Supreme Soviet, are increasingly opposed to the president and government. As Galina Starovoitova, the former presidential adviser, said recently: "We are in the anomalous position of having the parliamentary majority in the opposition." The centrists no longer think Mr Yeltsin recognises their concerns and can answer them: Mr Alexander Vladislavlev, deputy head of the Union of Industrialists and leader of the "Renewal" party, said yesterday: "Yeltsin is not really interested in consensus and compromise. And if he does the kind of thing he seems to be threatening, then we are back to the politburo and the Bolshevik era."

Among the harder opponents are a substantial proportion who are engaged on quasi – or fully – treasonable activities, such as conspiring with military officers to overthrow the state authorities. This goes on openly: Communist and nationalist deputies demonstrate together for the resignation of the president to whom the latter have taken an oath of loyalty. They stand on platforms and threaten extra-parliamentary action to achieve this end. No move is made against them. Mr Ruslan Khasbulatov, the parliamentary speaker who remains in parliamentary terms a moderate, has little room left in which to make yet another of his famous last-ditch compromises. Mr Valery Zorkin, the chairman of the Constitutional Court who devised the last compromise between parliament and president, has since compromised his position by siding with Mr Khasbulatov in rejecting a referendum.

Those loyal to Mr Yeltsin, like Mr Boris Nemtsov, the governor of the governor of Nizhny Novgorod, famous for his support of pro-market change in his region, say that the anti-presidential forces simply do not have the strength to stop the tide of change. "In so far as they want to centralise power back in Moscow, they cannot do so except with guns. And I don't think they have enough. It has gone too far." Still, in his celebration of the freedom given to (or taken by) him and other regional bosses, he implicitly admits the perceived weakness of the present administration: its inability to stop Russia falling apart. A chorus of domestic and foreign observers now likens Mr Yeltsin to Mr Mikhail Gorbachev in mid-1991, floundering helplessly before a disintegrating state.

And the people? The clamour that "things were better before" grows ever louder. En route back from Nizhny, three separate strangers took time and trouble to stress how much they hated what was happening in their country: one, an Aeroflot flight attendant, said she knew that the lemonade she was serving was terrible – "but it was better before. And now so expensive! If the quality was better it wouldn't be so bad". Even in the privatised shops in Nizhny, the pride of Russia's reformers, there was grumbling about the political instability (in the town) which made them unsure that they would be allowed to transform themselves from payers of rent to real owners.

A Moscow paper at the end of last week asked the citizens of Verdlovsk (now Ekaterinburg) – Mr Yeltsin's old home town and former base as first secretary – how they felt about their favourite son. Sour, most of them. The tenants of his old flat were just putting up a solid steel front door for protection and the neighbour was hanging out pictures of Stalin to commemorate the 40th anniversary of his death last Friday.

All the polls show Mr Yeltsin's popularity down, support for some kind of "firm grip" ever increasing. "I fear the Russian mass, aroused and pitiless," said Mr Yeltsin last December, quoting Pushkin. Everyone fears that now: and they fear each other. The nation is teetering, its leaders struggling over the tiller as the storm breaks. The best of them, in and out of government, can hardly keep reform's momentum going.

Mr Yeltsin's options are stark: he either makes a compromise with the parliament, or he decides to break with it. He has signalled a willingness to do both, keeping them guessing, alarming them with talk of decisive measures, soothing again with suggestions of compromises. He may not yet know himself which road to take.

The compromise route could entail dropping the idea of a referendum with, possibly, acceptance of a defined date for parliamentary and presidential elections. If this were the route, both constitutional and economic change would be further stymied. Mr Yeltsin could hardly allow his government to inflict the pain of real "shock therapy" on a people whose vote he would soon be canvassing; parliament, under the present constitution, can obstruct any attempt to adopt a new constitution because it can block every legal step towards it.

Having passed up the chance to reform a Soviet-era parliament and constitution while he retained the momentum and popularity to do so a year and a half ago, President Yeltsin is now enmeshed in the closed circles which the constitution prescribes. Mr Khasbulatov, the speaker, says only a parliamentary system can safeguard Russia's new-won freedom: Mr Yeltsin says that only an authoritative presidency can drive through reform and, by doing so, safeguard democracy. Behind the undoubted importance of the rival conceptions lies a naked power struggle. Compromise is only a pause between rounds, never an agreement in principle.

But to break out of this would be fraught with risk. General Pavel Grachev, the defence minister, may have allowed it to be reported that the army wants "decisive measures". But he has been as contradictory as Mr Yeltsin, and must fear that, if he comes out in full support of the president, he may this time back the wrong horse (General Grachev got his job by choosing to back Mr Yeltsin against the coup leaders in August 1991).

The bottom line of presidential rule, or the declaration of a state of emergency, is an army willing to shoot its own people: an army willing to do that must either be desperate, and/or believe that the power in whose name it is doing the shooting will survive to give it political exculpation in the longer term.

Mr Yeltsin, unfortunately, is now seen as possibly being a short-term president – by both foreign and domestic observers. He needs to show he is in charge, and decisively in charge, in order to dispel that view. Yet to do so he risks everything. Today's Congress is – yet again – a critical moment for Russia, and for the world.

* *After the Soviet Union, ed Timothy Colton and Robert Levgold (W W Norton, New York)*

Why US locomotive should decouple

PERSONAL VIEW

Over the past 20 years the distribution of earnings in the US has been changing in a way which, until recently, has not been matched in the rest of the industrial world. Despite the fact that the real American per capita gross national product has been rising (up almost 30 per cent from 1973 to 1992), real earnings have been falling for much of the workforce. While about 20 per cent of the male workforce has been on a rapidly rising up escalator, another 20 per cent has been on a level moving sidewalk, and the remaining 60 per cent has been on a down escalator.

Two factors lie behind these statistics. Technology seems to be demanding a much more skilled workforce. Wages have been rising for the skilled and falling for the unskilled. As the US is much more open to manufactured imports from low-wage third-world countries than either Europe or Japan, what economists know as "factor price equalisation" (in a global economy those with third-world skills will make third-world incomes even if they are living in first-world countries) also seems to be pushing down wages of the unskilled.

To some extent America's working wives have come to the rescue. By working an increasing number of hours per year they have succeeded in holding the real family incomes of the bottom 60 per cent of the population approximately constant, even though male wages have been falling. The average American family rightly sees itself working much harder yet making no economic progress. Even more frightening, most of these families now have little unused female work effort that they can throw into the economic fray. Wives are already working close to full-time. Nothing but economic decline looms ahead.

Not surprisingly, voting studies reveal that those on the up escalator voted overwhelmingly for President George Bush while those on the down escalator voted overwhelmingly for President Bill Clinton. To have any chance of delivering on his promise to stop the down escalator, Clinton needs to offer a number of things, such as greater investment in skills. And a 4 to 4.5 per cent rate of growth is an absolute necessity if he is to create growing job opportunities and rising real wages for the 80 per cent male workforce that did not participate in the economic gains of the 1970s and 1980s.

But suppose he were to succeed and the 4.8 per cent growth rate of the fourth quarter of 1992 were to be sustained. President Clinton would immediately have a trade problem. The US starts with a large trade deficit (rapidly rising toward $100bn) and could expect a huge surge of imports if it were to succeed in growing much faster than the rest of the industrial world.

If this surge of imports were to occur, it would drown President Clinton's economic recovery

But if this surge of imports were to occur, it would essentially drown President Clinton's economic recovery. If one looks at the relationship between output and employment in American manufacturing, every $45bn in extra manufactured imports essentially costs the American economy 1m jobs. Mr Clinton cannot afford to lose those jobs. If he does, he will not be able to deliver on his promises to those that elected him. As a result, the president has no choice but to take whatever actions are necessary to ensure that the US trade deficit does not worsen. To put it bluntly, President Clinton cannot let the American economy become a locomotive for the rest of the world.

The rest of the world is now an economic train too large for the US locomotive to pull alone. If the US were to try, its recovery would simply stall. The right answer from the US's, and the world's, perspective is an aggressive co-ordinated fiscal and monetary expansion with the three big economies (Germany, Japan and the US) acting as a joint locomotive. If such co-ordination cannot be arranged quickly, however, Mr Clinton will have no choice but to take direct action to stop the US trade deficit from worsening.

The clash between the world's desire to hook on to the American locomotive and President Clinton's need to decouple his locomotive from the rest of the world's economic train will be most acute with respect to Japan. Japan has a $135bn trade surplus, which is rising at the rate of $50bn per year. Based upon history, if the US were to grow substantially faster than Japan, Japanese exports to the US could be expected to surge.

The problem is very simple. Japan does not know how to engineer an economic recovery without such an export surge; the US will not have a domestic recovery if such a Japanese export surge were to occur.

The immovable object meets the irresistible force.

Lester C Thurow

The author is Dean of the Alfred P Sloan School of Management, Massachusetts Institute of Technology

OBSERVER

Musical chairs

■ With simultaneous puffs of white smoke from New York and London yesterday, two of the world's best known business weeklies change editors. In the US the parents of Barron's, one of Wall Street's more conservative institutions, played safe. By contrast, albeit true to form, the owners of The Economist catapulted yet another young fizzer into the editor's chair.

The contrast between the two new editors couldn't be wider. Barron's James Meagher, now 57, is a career hack who was number two to Alan Abelson, the revered editor for over a decade. The Economist's new chief Bill Emmott is a good 20 years younger, and has what Americans would describe as an Ivy league background.

He was chosen over the magazine's 46-year-old deputy editor, Nicholas Colchester, an old FT hand and fellow Oxford man. They even went to the same college, Magdalen.

The Economist has a tradition of picking young turks as editors. One has to go back over 30 years, to Donald Tyerman, who took over from Geoffrey Crowther, to find an editor who was over 40 when selected for The Economist chair. Given that Tyerman was one of the less successful editors, The Economist's emphasis on youth has paid off to date.

The magazine's circulation has long since surpassed Barron's and is rising. Emmott is a popular choice among his staff. His intellect is not in doubt and his managerial skills have been tested by a stint knocking the Economic Intelligence Unit into shape.

That said, however, there's always a risk in leap-frogging an older generation. Not least because there is so much farther for The Economist to fall in its 150th year.

Fortifying

■ It often needs a bit of hard work to understand the thinking behind the various European Community initiatives. But this one has stumped Observer. Hands up anyone who knows why the socialists have invited 48 EC 40-year-olds to Strasbourg tomorrow to celebrate the 40th anniversary of the European Parliament?

Resurgence

■ So who's being tipped for the job of UN's chief political representative for Bosnia once a peace agreement has been concluded? Lord David Owen, that's who.

Though many obstacles still stand in the way of a settlement, the nitty gritty of implementing an agreement is already being discussed in private by members of the UN Security Council.

'Gosh, Maastricht's getting exciting, isn't it?'

It is already clear that secretary-general Boutros Boutros Ghali will have to appoint not just an overall commander for the greatly enlarged international force required to operate the military provisions of the hoped-for settlement, but a political representative to boot.

After his impressive performance as one of the two co-chairmen of the Bosnian peace conference, Owen is virtually certain of winning the support of the European Community and Russia for the new political appointment. The French, in particular, have been impressed by his combative style, not least the manner in which he has countered US criticisms of the peace plan he drew up with Cyrus Vance. In short, the lost leader has returned to the fore.

Honey-tongued

■ So John Birt claims that he saved only £810 in tax by being paid his BBC salary through a private company. The great man has clearly never heard the story of the Victorian parlour-maid. When tackled over the arrival of an illegitimate child, she replied, "it's only a little one, ma'am".

Birt, unlike the parlour maid, had the benefit of a report from accountants Ernst & Young to quantify the mischief. But despite this impressive imprimatur, we suspect that Birt's mission to explain has been about as successful as the early day attempt to shrink the kid.

Low turnout

■ Could this be a political first? A political opinion pollster who has nothing to say.

Elaine Winter, editor of the NOP Political Social Economic Review, part of Lord Hollick's MAI stable, has suspended publication of its bi-monthly review. "This is largely a result of the fact that since the general election there has been a hiatus in the political polling that we normally do due to lack of interest," she says in a sad letter to subscribers.

"People were so fed up with it after the election that they are not commissioning polls. If anyone needs voting intention data they can phone us up and ask if we have it, but we are doing more social than political work these days," says Winter. She promises customers their money back and says publication will resume as soon as "we have enough material". Maybe if Maastricht's upsets continue, Winter's discontent could turn into glorious summer earlier than she thinks.

Marble halls

■ True, the English could not be expected to go as far as the Irish, who are re-opening the disused public toilets near Dublin's Trinity College as an exhibition hall for two sculpted bronze urinals – one in the shape of Britain and the other of Ireland. But surely there's a case for granting public access to top people's toilets tantamount to works of art in their own right.

There are several examples in the City of London alone. Word has it that the Bank of England harbours some sumptuous sanctums, especially for upper rankers. Moreover, the Midland Bank chairman's chamber is decked out with shoe-shine apparatus, three hairbrushes, comb, clothes brush, nail scissors and nail file.

Nominations for others deserving tourist-attraction status welcomed.

FINANCIAL TIMES
Wednesday March 10 1993

German union to act despite bankruptcy of former state-owned plants

IG Metall calls a strike in east

By Quentin Peel in Bonn

IG METALL, the German engineering workers' union, yesterday decided to go ahead with strikes in east Germany in protest at the cancellation of their wage contract by eastern employers.

The union's national advisory council made its decision in spite of the fact that most of the former state-owned plants in east Germany are effectively bankrupt. Moreover, 80 per cent of the trade union's eastern members are already unemployed.

Mr Franz Steinkühler, the union leader, said token strikes would be called from April 1, and a ballot for a full strike was being actively considered.

The workers are demanding that their wage contract, which provides for a 26 per cent pay rise on April 1, and the full equalisation of eastern wages with those of west German engineering workers from 1994, be maintained.

Mr Steinkühler, who has been a key negotiator with chancellor Helmut Kohl in the national negotiations on a "solidarity pact" to help finance the recovery of east Germany, rejected an offer of top-level talks with the employers in the Gesamtmetall federation.

"Now is not the time for talking, it is the time for paying," he said at the union headquarters in Frankfurt yesterday. He rejected the "horror stories" of the employers of looming bankruptcy, and insisted that the eastern plants could afford the pay rise. State-by-state negotiations with the employers on new contracts in the five east German Länder collapsed last month, and official arbitration failed to break the deadlock.

The employers are offering a wage rise of no more than 9 per cent on April 1, to compensate for inflation. They are also seeking an extension of the wage equalisation process over several years, to allow the eastern enterprises time to become competitive.

They maintain that productivity in east German manufacturing industry is 70 per cent below that in west Germany, whereas engineering wages already stand at 70 per cent of those in the west, and would rise to 82 per cent if the full wage rise was paid. Mr Dieter Kirchner, director of Gesamtmetall, said the employers' move to cancel the contracts was an essential step to free companies under the direct threat of closure from the excessive wage burden.

IG Metall, the largest and most influential trade union in Germany, says the employers are seeking to break the wage contract system in the east to undermine collective bargaining in west Germany as well.

Local officials in the east admit, however, that it may prove difficult to persuade members to go on strike, if they fear their companies will close.

Krupp closure protest, Page 3
Economy shrinks, Page 3

THE LEX COLUMN

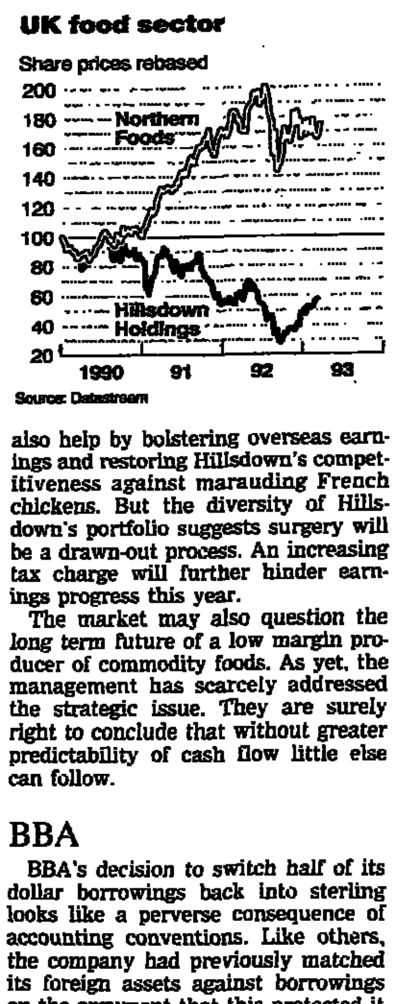
Chemical reactions

European chemicals companies are clearly reluctant to follow ICI's example by maintaining dividends through the downturn. With the exception of Akzo, all are some way behind in the process of rationalisation. Without a rights issue to support, the likes of BASF and Hoechst have little incentive to pay out more than they can afford at this uncertain stage in the chemicals cycle. That makes it difficult to interpret BASF's decision to shave only DM2 from last year's DM12 dividend.

Judging by the 5 per cent rise in the shares, the market was braced for something worse. The sketchy full-year figures released yesterday suggest a better fourth quarter than expected. But it is too early to call the turn. In August, BASF was not anticipating a sustained recovery in petrochemicals until the second half of the decade. DSM, which is equally exposed to bulk chemicals and the sliding German economy, has halved its dividend in view of the bleak outlook.

If BASF has tax or other short-term reasons for maintaining a relatively high payout this time, another cut can not be ruled out. The 6.5 per cent gross yield – a match for the return on German government bonds – would then be an unreliable support. If the company is trying to please investors by smoothing the dividend, though, the shares may have further to rise. BASF has a balance sheet strong enough to stand the strain of such a policy without a rights issue.

FT-SE Index: 2949.9 (-7.4)



Source: Datastream

Hillsdown Holdings

Hillsdown's annual results might have dissolved the market's worst fears but they also highlight fresh anxieties. The held dividend and the new management's resolve to squeeze higher profits from its £4.4bn of sales will certainly have underpinned the strong recovery in Hillsdown's shares since September. But the yield story is rapidly exhausting itself. Further gains will depend on strong earnings. These, though, are likely to prove highly elusive. Under the new FRS 3 UK accounting standard, Hillsdown recorded losses per share of 0.3p last year.

Hillsdown is wielding the butcher's knife in its attempt to improve efficiencies. The £92.3m extraordinary reorganisation charge reflects its serious intent to sort out 30 underperforming businesses. The rationalisation of its poultry division shows what can be achieved. Sterling's devaluation will also help by bolstering overseas earnings and restoring Hillsdown's competitiveness against marauding French chickens. But the diversity of Hillsdown's portfolio suggests surgery will be a drawn-out process. An increasing tax charge will further hinder earnings progress this year.

The market may also question the long term future of a low margin producer of commodity foods. As yet, the management has scarcely addressed the strategic issue. They are surely right to conclude that without greater predictability of cash flow little else can follow.

BBA

BBA's decision to switch half of its dollar borrowings back into sterling looks like a perverse consequence of accounting conventions. Like others, the company had previously matched its foreign assets against borrowings on the argument that this protected it from exchange rate movements – any fall in sterling would increase the value of foreign assets and debts equally. Low dollar interest rates also kept down borrowing costs, and the practice conveniently transfers profits back to the UK to reduce advance corporation tax problems.

However, sterling's fall produces strange effects in such groups' consolidated balance sheets. Because their capital is in sterling and much of the debt is in overseas subsidiaries, any fall in the pound raises the level of balance sheet gearing. Yet provided the debt is properly matched against real business interests, and interest cover in local currencies is adequate, the gearing rise is a purely accounting phenomenon. BBA's management, however, does not want to see gearing rise any more as a result of any further fall in sterling. Hence the transfer of debt.

Its concern is understandable given the excessive importance attached to gearing. Yet crystallising a foreign exchange loss because conventions struggle to cope with the real world is the accounting tail wagging the operational dog. The Accounting Standards Board might care to look at what is clearly an inadequate method for translating foreign subsidiaries into consolidated sterling accounts.

UK economy

Yesterday's producer price figures make it difficult to avoid the conclusion that inflation looks set to remain low despite the devaluation. Thanks partly to productivity gains, the underlying rate of output price growth was only 2.7 per cent in the year to February. Retail price inflation may thus stay within the government's target range, reducing upward pressure on interest rates as recovery takes hold.

That augurs well for growth which should, in turn, boost government revenues, easing its PSBR problem. But lower than expected inflation has drawbacks in this respect too. Tax revenues are affected quickly; many spending benefits only accrue later. Nor is there much scope for pushing public sector pay increases below the government's existing 1.5 per cent target. Success on the inflation front will force the government to work extra hard to contain its deficit. But it does, at least, provide cover for measures such as the non-indexation of tax allowances, clawback of spending increases and extending the reach of VAT.

Union Discount

Union Discount had little choice but to sell Winterflood, otherwise it would have had insufficient capital to retain its banking licence and continue with its traditional money market business. It may now be able to turn its fortunes round. But it will have to make its capital sweat to produce a decent return, and it is difficult for such a grandiose name to accept the status of mere niche player. One must hope Union does not become over ambitious. That would be doubly disconcerting after the careless way it lost money on September 16.

Kanemaru: tax evasion alleged

Gold worth $8m seized at office of Kanemaru

By Charles Leadbeater in Tokyo

A TEAM of investigators yesterday seized 100kg of gold bars from the Tokyo office of Mr Shin Kanemaru, until last year a powerful figure in the Liberal Democratic party and the "godfather" of Japanese politics.

The Tokyo prosecutor's office, which is investigating Mr Kanemaru's alleged tax evasion, found gold bars worth about Y1bn ($8.26m) in the office in Nagatcho, close to the parliament in central Tokyo.

As gold can be bought anonymously, it is alleged that Mr Kanemaru accumulated his holdings to avoid paying income tax. Mr Kanemaru faces allegations that he used some of the political funds he collected for his personal purposes. He and his private secretary were arrested on Saturday over alleged tax evasion between 1987 and 1989 which could amount to more than Y400m.

Mr Kanemaru resigned from parliament last October after being fined Y200,000 following his admission that he received an illegal Y500m political donation from Tokyo Sagawa Kyubin, a scandal-tainted trucking company.

During the late 1980s Mr Kanemaru established himself as the most powerful figure within the then Takeshita faction, which dominated the ruling LDP, through his legendary ability to raise money.

There are various estimates of Mr Kanemaru's liquid assets, largely held in forms which do not need to be registered with the authorities.

However it is estimated that in addition to the Y1bn in gold bars, he also held between Y2.8bn and Y5bn in discount bank bonds. NHK, the broadcasting corporation, reported that Mr Kanemaru's undisclosed assets are thought to be worth Y7bn.

Discount bonds, which Mr Kanemaru started to buy in 1984, can be purchased anonymously. Opposition party leaders alleged that Mr Kanemaru's decision to keep such large sums in unregistered bonds and gold bars was evidence that he was trying to avoid paying tax.

Mr Kanemaru and his secretary are due to be charged by Saturday and could remain in custody at the Tokyo detention centre until next Wednesday.

'Introverted' drugs industry urged to regain public trust

By Paul Abrahams in London

MR HENRY WENDT, chairman of SmithKline Beecham, the Anglo-American drugs company, yesterday called for a new social contract between the pharmaceutical industry and society.

His comments were seen as a response to recent criticism from US president Bill Clinton who said he had been shocked by the cost of medicines and the amount that drugs groups spent on marketing and advertising.

In what was widely perceived as a peace move, he told the FT pharmaceuticals conference in London: "We must show President Clinton and his first lady the economic benefits of using pharmaceuticals. We must show our customers – those that pay for drugs – that they are good value.

"We need acts, not words. Part of that involves keeping down prices," he said.

The industry had reacted too slowly to concerns about pricing by relying on national trade associations, Mr Wendt said. These found it easiest to defend the status quo. Senior executives had not shown sufficient leadership. "We are at the 11th hour and the 59th minute."

The US administration is expected to announce its healthcare reforms on May 1. Mrs Hillary Clinton, the first lady, heads the White House healthcare reform task force.

Mr Wendt admitted that company promises to limit average increases in drug prices to the inflation rate had been ambiguous. Some medicine prices had risen more than inflation, even if a group's average price had not done so.

Pharmaceuticals groups would have to look at their cost base, said Mr Wendt. SmithKline Beecham was looking at every aspect of its business. "There are no sacred cows."

He called on the industry to improve a tarnished image that made it an easy target for politicians with hardly a murmur from the public. The industry had to regain society's trust.

"This is an introverted industry. The sector has been dazzled by the glory of its success in the financial markets and our introversion has taken on a character of narcissism," he said.

"Our industry now ranks close to the bottom in most opinion surveys in terms of perceived social responsibility and contribution to the common good.

"We can no longer afford these losses in public esteem. In terms of public trust, we are running out of credit," he said.

"We must exclude less than honourable behaviour. Medical conferences should no longer be in the world's most exotic watering spots and there should be an end to financial inducements to doctors," he said. He called for a new rigorous marketing code that could stamp out abuses on a worldwide basis.

To prove the cost-benefit of drugs, he called on the industry to launch international cost-effectiveness trials run by third parties. He said the sector should also provide grants to universities to strengthen the study of health economics.

European frustration at UK delays on Maastricht treaty

By Ralph Atkins in London and David Gardner and Lionel Barber in Brussels

BRUSSELS reacted with a mixture of frustration and resignation yesterday to the parliamentary defeat suffered by Mr John Major in his efforts to ratify the Maastricht treaty on European union.

Some EC diplomats openly speculated about Mr Major's ability to deliver ratification despite efforts by the UK government to reassure European partners that it will press ahead with ratification as quickly as possible.

MEPs also expressed dismay over the latest delay and suggested it signalled a loss of authority on the part of the UK prime minister. But in London Mr Major insisted: "The treaty is in the national interest and we will pursue it."

Downing Street shrugged off as "trivial" the 22-vote defeat, on the opposition Labour party's amendment on the European Committee of the Regions, but it indicated that government hopes of completing Maastricht's parliamentary stages this summer are receding. Ratification is expected before the end of the parliamentary session in autumn, officials said.

In Brussels, one diplomat described Mr Major's latest setback as creating "frustration bordering on exasperation", adding: "This is throwing a spanner in the workings of the whole Community; we're in limbo."

But, at the same time, diplomats from large member states played down the significance of what one described as "a procedural hiccup".

In the European Parliament, Mr Jean-Pierre Cot, chairman of the Socialist group, said he was worried about Mr Major's mismanagement of the ratification process. "I don't know whether he has control to get Maastricht through. I think we are entitled to know whether he can."

But Mr Cot conceded that he was not an expert on British politics. Like other MEPs gathered in Strasbourg, he appeared baffled by the complex process of treaty ratification in the Commons.

Mr Luigi Colajanni, Italian Democratic Left leader, said the Commons vote showed the weakening of Mr Major's government. "But at the end of the day, we want the UK to ratify the Maastricht treaty".

In London Mr Major warned Euro-sceptic Tory and Labour MPs that delays to Maastricht's ratification will cost jobs as the government's defeat on Monday provoked angry recriminations within Conservative ranks.

The next twists in the Maastricht debate are likely to centre on amendments tabled by Labour on economic and monetary union – due for debate next week – and then on Maastricht's social chapter, described by Sir Marcus Fox, chairman of the Tory's rank-and-file 1922 committee, as the "crunch" point.

Labour is pledged not to back "wrecking amendments" that could stop ratification. But there is a grey area over its social chapter amendments which, if passed, would require the government to insert the chapter into the treaty.

Editorial Comment, Page 13

Competition in EC telecoms

Continued from Page 1

British Telecom, the UK's largest privatised operator, wants the Commission to use special legislative powers to break open the market immediately. Deutsche Telekom, the state-owned German group, favours introducing competition on all long-distance calls, domestic and international, but says a formal decision should not be taken until the end of 1998, by which time it would have completed a DM60bn ($36bn) programme of infrastructure investment in eastern Germany.

The Commission has already pushed through directives increasing competition in specialised data and information services, which account for about 10 per cent of the EC market. But hardliners within the Commission have always criticised the inflated cost of international and intra-EC calls, which they say hampers the competitiveness of EC companies.

If the Commission does decide to push for open competition, it will be evidence that the EC's executive has begun to recover its dented self-confidence. Last summer, the Commission twice delayed approval of a document outlining the liberalisation options to avoid annoying France before the referendum on the Maastricht treaty.

Russian reforms in jeopardy

Continued from Page 1

– "including considering personnel changes in the cabinet" – but it could not move beyond a fundamental commitment to bring down inflation and the budget deficit, and retain good relations with the west.

The indications yesterday were that Mr Yeltsin would not win acceptance of these proposals, already turned down by the smaller Supreme Soviet – nor that Congress would approve the four questions he wants on the ballot paper in the referendum he wishes to hold on April 11.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	6	43	Frankfurt	S	5	41	Majorca	F	14	57	Oporto	F	13	55	Tenerife	S	19	66
				Brussels	S	6	43	Geneva	S	4	39	Malaga	F	17	63	Oslo	F	4	39	Tokyo	S	10	50
				Budapest	S	5	41	Gibraltar	S	18	64	Malta	S	12	54	Paris	S	8	46	Toronto †	C	-1	30
Ajaccio	S	13	55	Buenos Aires	F	31	88	Glasgow	S	8	46	Manila	C	32	90	Prague	S	0	32	Tunis	C	11	52
Algiers	C	14	57	Cairo	S	23	73	Helsinki	C	1	34	Melbourne	C	18	64	Reykjavik	C	2	36	Valencia	C	13	55
Amsterdam	S	5	41	Cape Town	S	26	79	Hong Kong	F	21	70	Mexico City	C	17	62	Rhodes	S	12	54	Venice	S	9	48
Athens	C	8	46	Caracas	F	28	82	Innsbruck	S	5	41	Miami †	C	18	64	Rio d'Janeiro	F	39	102	Vienna	S	1	34
Bahrain	S	27	81	Casablanca †	S	17	63	Inverness	C	6	43	Milan	S	10	50	Rome	S	11	52	Warsaw	S	1	34
Bangkok	F	34	93	Chicago †	C	1	34	Islamabad	F	28	82	Montreal †	Sn	-2	28	Salzburg	S	3	37	Washington †	S	6	43
Barcelona	S	12	54	Cologne	S	6	43	Istanbul	F	5	41	Moscow	S	-3	27	S'Francisco †	F	12	54	Zurich	S	3	37
Beijing	S	13	55	Copenhagen	S	4	39	Jakarta	R	30	86	Munich	S	3	37	Seoul	S	6	43	Temperatures at midday yesterday			
Beirut	S	18	64	Corfu	S	10	50	Johannesburg	S	26	79	Nairobi	F	25	77	Singapore	F	30	86	† Noon GMT temperatures			
Belfast	F	6	43	Dallas †	S	13	55	Lisbon	F	14	57	Naples	S	11	52	Stockholm	C	2	36	C – Cloudy Dr – Drizzle			
Belgrade	F	1	34	Dublin	C	6	43	London	S	8	46	Nassau	C	26	78	Strasbourg	S	6	43	F – Fair Fg – Fog H – Hail			
Berlin	S	3	37	Dubrovnik	S	11	52	Los Angeles †	Fg	12	54	New Delhi	S	28	82	Sydney	C	22	72	R – Rain S – Sunny			
Bermuda	F	20	68	Edinburgh	S	6	43	Luxembourg	S	4	39	New York †	F	4	39	Taipei	R	20	68	Sl – Sleet Sn – Snow			
Bombay	S	32	90	Faro	S	16	61	Madeira	F	18	64	Nice	S	12	54	Tangier	F	16	61	T – Thunder			
Bordeaux	C	11	52	Florence	S	9	48	Madrid	S	12	54	Nicosia	F	15	59	Tel Aviv	S	20	68				

FINANCIAL TIMES

COMPANIES & MARKETS

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INSIDE

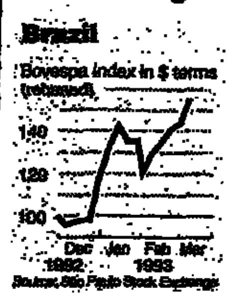
GE to give more cash to Hungarian venture

Tungsram, the Hungarian light bulb group in which General Electric of the US has a 75 per cent stake, plunged to a Ft9bn ($104m) loss in 1992 and will remain unprofitable this year. Meanwhile, PepsiCo, the US food and drink group, has acquired FAO, a leading Hungarian soft drink company, and said it would invest $115m in the group over the next five years. Page 17

Redundancy for KIO executives

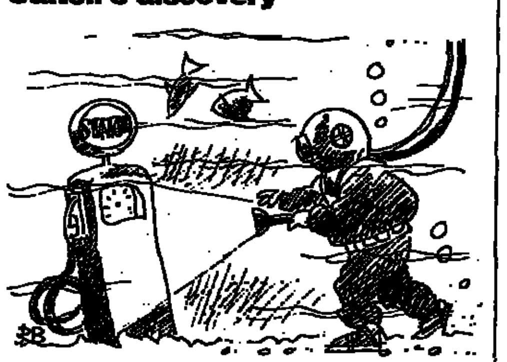
The Kuwait Investment Office, the international investment arm of the gulf state, has made redundant the four executives who have run its $2bn US property operations for the past decade. Mr Ali-Rashid al-Bader, chairman, said the four had been made redundant in a "cost-cutting programme". Page 16

Brazil shrugs off politics



Brazil's stock markets have seemed immune to the political and economic instability surrounding them. From December to February, the Bovespa index gained 207 per cent, compared with inflation of 99 per cent for the period. Foreign investors are tempted, but playing it safe. Mr Robert Barclay, president of Baring Securities Brasil, said: "They are waiting for a clear sign that economic reform is moving forward. Yet they are all terrified of missing out." Back Page

Statoil's discovery



Norway has announced the largest oil discovery in eight years, in the remote northern region of the Norwegian Sea. Statoil, the Norwegian state oil company, which made the discovery, believes it could be bigger than the find recently made by British Petroleum which is estimated to contain 250m to 500m barrels of oil. Page 28

Heinz earnings figure revised

H.J. Heinz, the food group, warned that earnings per share in the year to end-April would total about $2.50. Analysts, guided by the company, had been predicting around $2.60 until recently. Page 18

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**Rises**			
Rises				Docs de France	469	+	14.2
BASF	240.1	+	11.5	Imetal	397.5	+	19.3
Daimler-Benz	626	+	13	Intertechnique	512	+	18
Kaufhof	482	+	12	Orsan	119	+	10.8
Lahmeyer	712	+	30	Par Reescompte	311	+	13.2
Falls				**Falls**			
Asko	636	−	12	Fonc Lyonnaise	660	−	20
Colonia Konzern	1060	−	20	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Hamai	259	+	29
Amer Express	27½	+	½	Hitachi	747	+	26
BankAmerica	53¾	+	1⅛	NEC	767	+	58
Primerica	42¾	+	2¾	Nikko Kyodo	467	+	68
Safeway	13⅞	+	1⅜	Sanyo Secs	393	+	49
Wells Fargo	108⅜	+	2⅞	**Falls**			
Falls				U-Shin	490	−	50
Merck	37⅞	−	⅜				
PARIS (FFr)							

New York prices at 12.30pm.

LONDON (Pence)				RPS	53	+	4
Rises				Smith New Ct	168	+	8
Brown Shipley	40	+	4	Transfer Tech	517	+	29
Bulmer (HP)	393	+	16	**Falls**			
Christies Int	185	+	15	Aerospace Eng	13	−	3
Costain	31	+	3	Danka Business	632	−	52
Eng Nat Pfd	315	+	22	Ranco Oil	133	−	5
Euro Disney	1080	+	65	Tadpole Tech	320	−	17
Geest	466	+	13	Thorntons	200	−	10
Henderson Adm	978	+	23	Tomorrows Lsis	22	−	4
High-Point	38	+	3	WatesCof Lon	39	−	7
M & G Group	790	+	25				
Molyneux Est	35	+	3				

Cuts in German chemicals sector expected

By Christopher Parkes in Frankfurt

THE GERMAN chemicals industry is expected shortly to announce further cost-cutting measures after BASF and Hoechst yesterday announced sharp falls in 1992 profits and dividends.

BASF, the weakest of the big three, cut its dividend by DM2 to DM10 compared with the DM3 or DM4 reduction widely expected.

The news gave all chemicals stocks and the DAX index of 30 leading shares an immediate boost. The index closed up more than 18 points at a new high for the year of 1,713.13. BASF stocks, which gained DM9 as soon as the news was released, ended even higher at DM240.10, up DM11.6.

A DM3 cut to DM9 in the Hoechst payout and a 17 per cent drop in earnings were revealed after the markets closed.

According to yesterday's figures, pre-tax profits at BASF slumped 41 per cent to DM1.24bn ($740m) on sales down 4.5 per cent at DM44.5bn. Earnings at Hoechst were 17.7 per cent lower at DM2.1bn, while sales fell 2.8 per cent to DM45.9bn.

In spite of the early market reactions, analysts noted that both groups had reduced their dividends by less than expected after profits fell by around 20 per cent in 1991. At the time this was interpreted as a sign that worse was yet to come.

Early estimates of the outlook for the current year and details of further rationalisation plans will be given at the groups' annual press conferences next week. Dividend and earnings details at Bayer, the last of the big three, will be published after its supervisory board meets tomorrow.

Average prices for chemicals fell almost 2 per cent last year and stood 8.5 per cent below those of 1985, according to the chemicals industry association. Prices for organic chemicals and plastics slumped almost 8 per cent.

Confidence in the pharmaceuticals business, which usually avoids the worst effects of cyclical downturns, has slumped lately because of the introduction of price cuts, controls and prescription limits imposed from Bonn. According to early figures, drugs sales have fallen by between 30 per cent and 40 per cent in the first two months of this year.

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De Beers allays dividend fears with 29% reduction

By Philip Gawith in Johannesburg

DE BEERS, the South African company which dominates the world diamond market, yesterday pleased investors by keeping the cut in its 1992 dividend to 29 per cent after announcing a 35 per cent fall in earnings for the year. Many analysts had predicted a much larger reduction in the payout. The company's shares climbed after the announcement, closing at R68.85 – nearly 4 per cent up for the day.

Analysts agreed the size of the dividend cut indicated that De Beers' financial health and the state of the world diamond industry were better than the market had expected.

De Beers sparked a furore in August by predicting a dividend cut and announcing a 25 per cent cut in the quota of diamonds it would buy from producers. These moves appeared to go back on earlier bullish forecasts from De Beers.

Mr Julian Ogilvie Thompson, chairman, said the fall in earnings reflected the difficult second half. Attributable profits at De Beers and Centenary, its offshore arm, fell 49 per cent in the second half.

Pre-tax profits on the diamond account fell 20 per cent to $644m from $801m in 1991 reflecting the impact of the quotas.

Net interest income slumped 79 per cent to $30m from $141m. This was a function of lower cash balances after the company bought up diamond supplies that bypassed the Central Selling Organisation (CSO), the De Beers company that trades 80 per cent of world rough diamond output.

Mr Ogilvie Thompson estimated that $500m to $600m worth of diamonds which bypassed the CSO – both legal and illegal – had come from Angola during the year, of which De Beers had bought about two-thirds.

Attributable earnings fell to $491m from $759m, while equity accounted earnings fell to $757m from $1.07bn. Earnings per share, excluding retained earnings of associates, fell 35 per cent to 129 cents. The dividend was cut to 79.1 cents from 112.1 cents.

Fears about the size of diamond stocks held by the CSO appear to have been exaggerated. Although these rose by $700m in 1992, to $3.77bn, pushing the ratio of CSO stocks to CSO sales up to 110 per cent from 77 per cent in 1991, this is still some way below the high of 136 per cent in 1982.

Cautious optimism, Page 36

Agency shows underlying profit

Trevor Humphries

Robert Louis-Dreyfus (left) with Charles Scott yesterday

Saatchi writes off £600m of goodwill

By Gary Mead, Marketing Correspondent

SAATCHI AND SAATCHI, the world's second largest international advertising group, yesterday wrote off £600m ($852m) of goodwill associated with US acquisitions made when it was expanding in the 1980s.

However, excluding the write-offs, the underlying position of the group for 1992 showed a pre-tax profit of £18.9m, against 1991's losses of £47.2m. The figures were compiled under FRS 3, the new UK accounting standard.

Group revenues grew by 1 per cent last year to £748m. Trading profits were up 67 per cent at £34.2m, with operating margins up from 2.8 per cent to 4.6 per cent. Mr Charles Scott, who takes over as chief executive from Mr Robert Louis-Dreyfus in April, said he expected operating margins to be 6 per cent this year.

Mr Scott said 14 companies within the group incurred losses in 1992, in Japan, Sweden, China and the UK, but their combined losses had been reduced from £14m to £7m. Losses of £13.4m on disposals were reported.

Net debt at the year-end was £194m, up from £181m. Losses per share were 387.2p, against a restated 58.6p. Excluding the write-offs and losses on disposals, earnings per share were 0.2p (against losses of 15.4p for 1991). No dividend will be paid.

The write-offs – which do not affect the group's cash position – particularly relate to the Ted Bates agency, bought for £450m in 1986. Mr Scott said that £238m of goodwill remained on the books associated with the 1980s acquisitions.

Mr Scott said the group had reduced the number of staff on annual salaries of £150,000 and above from 300 to 250.

Mr Scott denied that British Airways – one of the group's most important global accounts – was considering swapping agencies. Some big US clients had chosen to spend relatively more of their marketing budgets on sales promotions than brand advertising.

Analysts are forecasting 1993 pre-tax profits of £24m.

Renault truck arm falls into the red

By David Buchan in Paris

RENAULT Véhicules Industriels, the French truckmaker, yesterday announced a FFr1.62bn ($287m) net loss for 1992. Turnover fell by 8 per cent with a 38 per cent drop in European sales in the second half.

Mr Jean-Pierre Capron, RVI president, said he hoped that balance might be restored in the second half of this year.

But as a measure of the depth of the recession into which the European truck market had now fallen, he said RVI's sales for both the last six months of 1992 and the first six months of this year would only total what the company had sold in the first half of 1990 alone.

The only bright spot was the relative success of the US subsidiary, Mack Trucks, in reducing its operating loss from $195m in 1991 to $145m last year.

The US company had been set the goal, in a recovering market, of returning to profit in 1994, Mr Capron said.

The group's FFr1.62bn net loss follows a FFr23m net profit in 1991, and includes FFr612m worth of provisions to cover restructuring.

This will cut its French workforce by a further 1,348 jobs this year after 1,008 job losses in 1992 and a decision to end vehicle assembly in the UK.

Mr Shemaya Levy, director of RVI's European operations, said that from its 1989 peak of 311,000 truck sales, the European truck market would fall from 260,000 last year to 220,000 this year.

Last year, RVI held its fourth position among European truck makers, but its share fell from 10.5 per cent in 1991 to 9.2 per cent.

This resulted from the above-average decline in the French and Spanish markets where Renault is particularly strong, and the fact that the French truckmaker is still trying to expand in Germany, whose post-unification market last year accounted for 40 per cent of all sales in Europe.

"We have adjusted our production to a demand that almost vanished in the second half of last year," Mr Capron said.

"As a result, our operations dwindled to a level we had never experienced in the past and that generated considerably higher costs."

The coach and bus market declined much less than the more cyclical truck market, but French defence cuts reduced Renault's military turnover by 40 per cent.

Norma Cohen looks at a computer-based method of active stock selection that is crossing the Atlantic

Number-crunchers hope to beat index with 'quant' leap

BRITISH fund managers have long prided themselves on their ability to sniff out an undervalued stock and add it to their portfolio at a cheap price.

But the poor performance returns of too many of these classic "active" fund managers have soured clients who, increasingly, are showing an interest in alternative approaches to stock selection.

In this spirit, a statistics-driven system of stock selection, pioneered largely in the US, is gaining currency in the UK and international markets. "Active quantitative" stock selection is basically a marriage of the analysis by traditional fund managers and the use of computers which is the basis of quantitive technique.

Known in the US as "black box" technique because of its reliance on computers, UK firms have begun to offer it to pension fund clients. In passive quantitative stock selection, the fund manager simply builds a portfolio to mimic a specific stock index, making no judgments on relative merits of stocks. "Active quant" is a more systematic approach to active portfolio management.

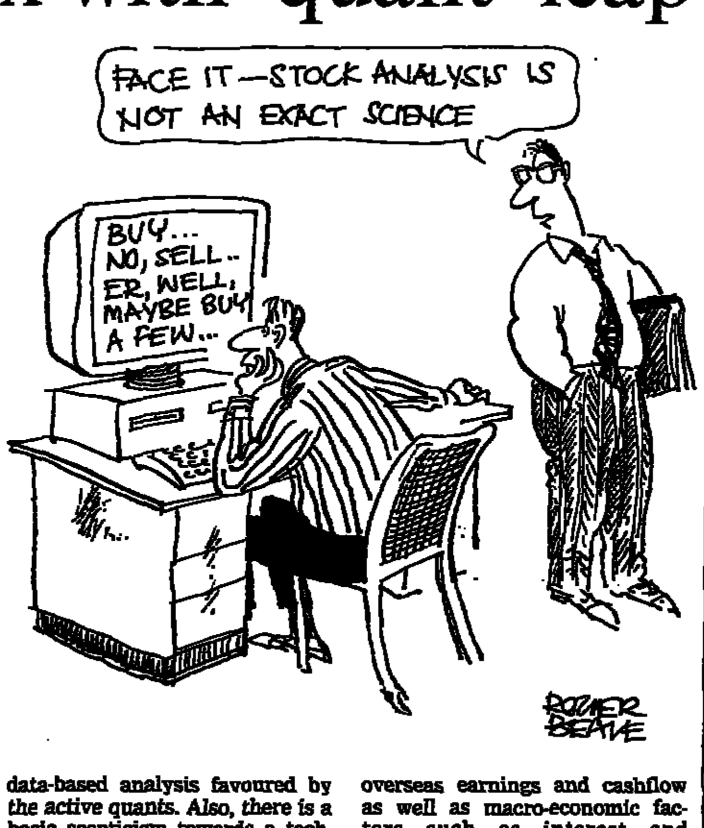
"We try to replicate with a computer what a traditional fund manager would do by hand," says Mr Kevin Rowe, partner at Buchanan Partners, an active quant boutique which specialises in the use of equity derivatives. "The difference is risk control."

The idea that risk can be reduced by selecting stocks after analysing vast amounts of information about their characteristics is gaining currency in Britain.

Among the leading providers of active quant fund management are Hill Samuel Asset Management, State Street, County NatWest Investment Management, Kleinwort Benson and several boutiques, particularly Pareto Partners, PanAgora Asset Management and Barr-Rosenberg. The growth of active quant in the UK has also been aided by the arrival of several firms whose sole function is to provide databases to analysts. Among them are California-based Barra Company and a new UK firm, Quantech.

"I think that 10 years from now we will find that traditional active management has declined significantly and a much more computer-oriented approach will take its place," says Mr Roger Irwin, senior partner at actuarial consultants R Watson and Co. "The top-quality active quant products will overtake the top-quality traditional products."

Not all consultants are as enthusiastic. Mr Robert Baker, partner at Mercer Freser, notes that some traditional active managers score consistently above average returns using none of the data-based analysis favoured by the active quants. Also, there is a basic scepticism towards a technique that seems to guarantee above-average returns.



But those who sell the technique insist its popularity is growing. Mr Alan Greenhorn, formerly director of quantitative fund management at Hill Samuel where he pioneered the firm's product, says that slowly, the technique is gaining credibility in Britain. Hill Samuel manages about £450m ($639m) for 11 pension fund clients, as well as managing the core of Cambridge's Emmanuel College trust fund.

Mr Greenhorn and his team recently moved to State Street, a division of the US firm which specialises in both passive and active quantitative fund management techniques in the American markets. "A few years ago, if you held a conference on active quant, maybe three people would have shown up," he says. "Now you would get dozens."

What makes active quant different, he adds, is that vast quantities of data can be studied to help form a clearer picture of a stock's value. "We have spent three years building up a database of UK stocks showing each stock's exposure to different sectors."

The data showed that many stocks are misrepresented by conventional classification systems. For instance, although P&O, the shipping company, is generally classified as a transport stock, Hill Samuel's analysis showed that only 35 per cent of its revenues come from transport.

In looking for risk, Hill Samuel examines such factors as the concentration of earnings from different sectors by a company, overseas earnings and cashflow as well as macro-economic factors such as interest and exchange-rate risk and short-term price volatility.

Because large quantities of data about each company – and about the market in which it operates – must be analysed in depth, computers are needed. The aim is to isolate those characteristics most likely to occur in underperforming stocks. What they are and how to spot them is a subject of some debate.

Mr Alan Brown, chief investment officer at PanAgora Fund Managers, says that his stock selection process has isolated roughly a dozen factors which are likely to affect share values, such as price-to-book ratios and dividend yield.

Because the technique is aimed as much at reducing risk as it is at optimising returns, it is not likely to outperform an index by more than one to two percentage points, he says. But in an industry where outperforming an index consistently by even a fraction of 1 per cent is considered outstanding, the attractions of active quant are clear.

Mr Rick Lecaille, assistant director at County NatWest Investment Management, which is also offering an active quant product, says: "The data quality has improved dramatically over the past three years, and so has the technology."

Our view, is that we take the same approach as traditional active stock managers. We strip out the key features they use in stock analysis and build those into a computer model. I predict that in a few years, all the traditional managers will be using some form of active quant technique."

Carrefour beats recession with 10.6% increase

By Alice Rawsthorn in Paris

CARREFOUR, one of France's largest retailing groups, yesterday announced that it had overcome its problems in the first half of last year to produce a 10.6 per cent increase in net profits for the full year to FFr1.33bn ($287m) in 1992 from FFr1.21bn in 1991.

The group which, like other French retailers, has been affected by the sluggish economic environment saw net profits fall in the first half of 1992. The news of the decline triggered the resignation of Mr Michel Bon who, as chairman, had orchestrated the company's expansion in the 1980s.

Carrefour continued to face difficult trading conditions in the second half of last year. However, it managed to increase sales by 16.7 per cent to FFr117.14bn in 1992 from FFr100.38bn in 1991. Euromarché, the hypermarket group that Carrefour acquired in 1991, made a full-year's contribution to the 1992 figures but contributed for only six months in 1991.

The board proposed raising the dividend for 1992 to FFr35, against FFr32.5 in the previous year. Carrefour benefited from a profit of FFr287m on the sale of its Pyrca subsidiary but also made a special charge of FFr291m for writing off goodwill on the Euromarché deal.

Mr Jacques Fournier, who succeeded Mr Bon as chairman after the latter's resignation last autumn, has continued to sell off peripheral interests to raise capital for the group which is now investing heavily in new technology and stock control systems.

The French hypermarket sector, in which Carrefour is the leading player, has become increasingly competitive following last summer's deal in which Casino took over the Rallye chain and the transaction in December whereby Tesco, a force in UK food retailing, made its Gallic debut by buying the Catteau group.

Olivetti joins communicator group

By Alan Cane

OLIVETTI, Europe's largest maker of personal computers, is to become the European partner in an international strategic alliance seeking to exploit the nascent market for "personal communicators" – pocket telephones with inbuilt fax and computing capabilities.

The company is taking an equity stake in EO, a Silicon Valley start-up company which is marketing personal communicators in the US. The other members of the alliance are AT&T, the US telecommunications group, Matsushita of Japan, the world's leading consumer electronics company, and Marubeni, a leading Japanese trading company. Each member of the alliance has invested about $10m in EO.

The alliance has been seeking a European business partner since late last year when it announced availability in the US of its first personal communicators which combine the functions of a cellular telephone, facsimile machine and pen-operated computer.

The device communicates over digital radio telephone circuits which are already available in the US and will be operational in the UK and Europe later this year. EO communicators cost between $1,999 and $3,299 in the US; UK pricing has not yet been announced but is likely to be about £1,500 ($2,168) for a basic model.

Mr Corrado Passera, Olivetti managing director, said it was a small investment for Olivetti in a market expected to grow explosively. World demand has been estimated at 1m customers next year, growing to 100m by 2000, equivalent to $20bn in annual hardware sales.

UK motor parts group up 53%

By John Griffiths in London

BBA, the UK motor components group, reaped the full benefit of cost-saving measures with a 53 per cent increase in pre-tax earnings last year.

BBA's group pre-tax profit of £47.4m ($67.3m) in the year to December 31, up from £30.9m, was earned after exceptional items and on turnover of £1.32bn, up from 1991's £1.25bn. Profit before tax and exceptionals was 23 per cent higher, at £60.3m against £49m. The final dividend was 5.25p to make an unchanged total of 7.5p.

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Bid by Spanish bank to sell network delayed

By Tom Burns in Madrid

A BID by Banco Central Hispano, the big Spanish commercial bank, to sell its main nationwide subsidiary network to Banque Nationale de Paris has been delayed indefinitely, a spokeswoman for BCH said yesterday.

BCH, however, denied press reports that the French bank had pulled out of protracted negotiations to acquire the 165-branch Banco de Fomento in a deal that has been valued at up to Pta47bn ($398m). "The talks are on standby," the spokeswoman said.

The delay is a blow for the Spanish bank's attempts to streamline its business and boost its liquidity following disappointing 1992 results. Fuelling the BCH's discomfort is the fact that Germany's Deutsche Bank, which had expressed interest in Fomento at an earlier stage, last week acquired Banco de Madrid, the subsidiary network owned by Banesto, a rival domestic commercial bank.

BCH, posted a 22 per cent drop in net profits last year to Pta52.6bn despite a sharp increase in extraordinary income from disposals.

Cartel probe into WestLB influence stepped up

By David Waller in Frankfurt

THE Bundeskartellamt, Germany's federal cartel office, has stepped up its investigation into the scope of Westdeutsche Landesbank's influence over Touristik Union International (TUI), Europe's largest tourist operator.

The Berlin-based cartel office has served an order on WestLB and a number of other German companies, seeking clarification of recent changes in the shareholding structure of Walter Kahn Verwaltungs, a holding company which owns 40.2 per cent of TUI.

The move is part of the Bundeskartellamt's longstanding investigation into WestLB's role in the German travel sector. WestLB, state bank for North-Rhine Westphalia, owns a 34 per cent stake in LTU, Germany's largest charter-flight operator, and last year bought a majority stake in Thomas Cook, the UK-based travel company.

The authorities are concerned that TUI may have come under the de facto management control of LTU/WestLB as a result of changes in the shareholding structure of Walter Kahn. WestLB already exercises influence on TUI via its majority holding in the Horten retail group, which owns an indirect 25 per cent stake in TUI.

If this were so, there would be competition implications for the German travel market, the Bundeskartellamt believes.

Mr Jürgen Kiecker, Kartellamt spokesman, said the information order had been sent to the Südwestdeutsche Landesbank, state bank for Baden-Württemberg and also a shareholder in Walter Kahn, as well as WestLB and TUI.

The move follows the cartel office's decision last December to reopen investigations into WestLB's purchase of its stake in Horten in 1991. This investigation was later blocked by the Berlin courts.

WestLB said yesterday that it neither had control of TUI, nor sought to win it. Its stake in Walter Kahn was only 16.77 per cent, the bank said.

Four KIO executives in US to go

By Robert Peston, Banking Editor

THE KUWAIT Investment Office, the international investment arm of the gulf state, has made redundant the four executives who have run its $2bn US property operations for the past decade.

Mr Ali-Rashid al-Bader, chairman of one of the world's powerful investors with a portfolio worth around $20bn, said the four executives, led by Mr Michael Puglisi, had been made redundant in a "cost-cutting programme".

The four – who include Mr Richard Della Pietra, Mr Richard Battista and Mr Luis Pomponio – were executives of Fosterlane Holdings, a KIO-owned US company. Their departure follows Mr Saleh Al-Zouman's appointment in January as chairman of Fosterlane's management company.

Kuwait is one of the 20 biggest investors in US properties. Most of its properties are owned by a network of companies controlled by Fosterlane.

It has maintained a veil of secrecy over its US properties. Tenants often have no idea buildings are owned by the KIO. But it has invested around $2bn in US properties, often in partnership with Mr Gerald Hines, the US property investor. It controls well-known US buildings, including New York's "Lipstick Building", at the corner of 53rd street and 3rd Avenue, Chase Manhattan's offices at 350 Park Avenue, 101 California in San Francisco, and the Dallas Galleria. It also owns 40 per cent of the General Motors Building in New York.

The four departing executives are understood to have three-year contracts and will continue to receive their salaries, estimated at more than $1m a year in aggregate, for that period.

Mr al-Bader said their departure reflected a basic change of approach by the KIO in managing its property portfolio. Rather than expand this portfolio, the KIO would realise investments when it could.

He said that this was part of its new worldwide investment strategy, which aims to convert illiquid investments, such as property, into more liquid holdings, because the costs of the 1991 Gulf war depleted the KIO's liquid reserves.

An executive with a close knowledge of the KIO said St Martins Property Corporation, the KIO's UK property company, was likely to make substantial property disposals. St Martins owns London Bridge City, one of the biggest Thameside developments in London.

Mr al-Bader added there could also be redundancies at the KIO's London headquarters, although no decision had been taken.

Trygg-Hansa swings into deficit

By Christopher Brown-Humes in Stockholm

TRYGG-HANSA SPP, the leading Swedish insurance group, swung to a SKr5.2bn ($682m) loss in 1992 from a SKr531m profit a year earlier after suffering more than SKr6bn in losses through its exposure to three bankrupt Swedish companies.

The group had large holdings in Gota AB (the holding company for Gota Bank) and two collapsed credit insurers, Svenska Kredit and International Credit, which were written down to zero at a total cost of SKr6.03bn.

It also suffered from a negative reinsurance result and a further drop in property values. As a result, the company scrapped its dividend after paying out SKr4 per share in 1991.

The insurance result halved to SKr500m from SKr1.01bn, even though premiums rose 14 per cent to SKr8.53bn.

The group blamed its reinsurance operations for the fall, saying the impact of Hurricane Andrew and credit losses caused a reinsurance deficit of "several hundred million krona," compared with a SKr28m profit in 1991.

The group is to cut its reinsurance business by 50 per cent this year, sharply reducing its catastrophe exposure but also reducing its activity in a number of European markets and business areas. In 1992, reinsurance premiums totalled SKr2.5bn.

"We have made this move because we do not regard reinsurance as a core business and it was becoming too costly to buy retrocession protection," said Mr Lars Pihlgren, head of Trygg's reinsurance and marine operations.

A consolation for the group was the revival in share prices towards the end of the year, which pushed up the group's solvency margin to 134 per cent at the year end from 110 per cent at the eight-month stage.

Hillsdown takes £92m charge

By Maggie Urry in London

HILLSDOWN Holdings, the UK meat processors, yesterday announced a £92.3m ($131.06m) extraordinary provision to cover a wide-ranging reorganisation. Group pre-tax profits fell 17.5 per cent to £154.1m.

However, Hillsdown said that in spite of the "disappointing" results it was maintaining the dividend at 8.8p.

Hillsdown said it was closing its property trading business with immediate effect, and had decided to accelerate the reduction in its red meat activities.

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Freia Marabou records increase to NKr534m

By Karen Fossli in Oslo

FREIA Marabou, Scandinavia's leading chocolate, sugar confectionery and snacks producer, reported a 4.5 per cent increase in 1992 pre-tax profit to NKr534m ($75.82m) from NKr512m in 1991, despite weaker sales.

Last autumn, Kraft General Foods International paid $1.5bn in a friendly takeover of Freia, but approval by the Norwegian authorities is not expected until the beginning of April.

Freia's sales slipped last year to NKr5.38bn from NKr5.40bn as operating costs dipped to NKr4.62bn from NKr4.63bn. Investments reached a record NKr629m in 1992 against NKr466m in 1991.

Group operating profit slipped to NKr520m in 1992 from NKr548m in 1991. Net financial items showed a substantial improvement from a loss of NKr36m in 1991 to a gain of NKr14m last year. Freia attributed the improvement to earnings from sales of shares, currency gains and increased interest income derived from restructuring of the biscuits sector.

Atlas Copco buys tunnel boring unit

By Christopher Brown-Humes

ATLAS Copco, the Swedish industrial and engineering group, has strengthened its position within rock excavation technology by buying Robbins Company of the US, the world's largest supplier of hard rock tunnel boring machines.

The acquisition, on undisclosed financial terms, will result in Robbins becoming part of the Atlas Copco Rocktech Division.

Mr Michael Treschow, Atlas Copco president, said the deal emphasised the company's commitment to rock excavation technology and expanded its product range. It also assisted the company's goal of becoming the world's leading company within its specialist areas of business.

Robbins is based in Kent, Washington, and has annual revenues of $70m. The company played a leading role in the development of tunnel boring machines.

It supplied five of the 11 tunnel boring machines being used in the Channel tunnel project between England and France.

"Atlas Copco brings the capital necessary to accelerate the rate of our technological developments," said Mr Richard Robbins, president and chief executive of Robbins.

GE's Tungsram posts third consecutive annual loss

By Nicholas Denton in Budapest

TUNGSRAM, the Hungarian light bulb group in which General Electric of the US has a 75 per cent stake, plunged to a Ft9bn ($104m) loss in 1992 and will remain unprofitable this year.

This is the third consecutive loss for the group, and the biggest in Hungarian corporate history. It represents a 70 per cent increase on the loss for the previous 12 months.

GE acknowledges the need for a further injection of capital on top of the $350m it has invested in the venture. The injection would cover accumulated losses, provide cash for operations and cut debt. Losses in the past two years total Ft14.3bn, using international accounting standards.

General Electric might be obliged to buy out the minority shareholding of Hungarian Credit Bank. The state-owned bank is unhappy with the partnership and needs resources to cope with its own financial difficulties. But the US company said yesterday speculation on a buy-out was premature.

Mr Charles Pieper, chief executive officer of Tungsram and GE Lighting Europe, blamed the deficit on growing borrowings, a write-off of inherited Russian trade debts and restructuring costs.

Tungsram announced a further 900 redundancies out of its shrunken workforce of 10,200.

General Electric paid $150m for an initial 50 per cent of previously state-owned Tungsram in 1990, creating the first sizeable western joint venture in eastern Europe and a symbol for the region's economic opening. Tungsram was regarded as a rare Hungarian industrial jewel, possessing corporate pride and about 6 per cent of the western European light bulb market

Tungsram has doubled forint sales in western Europe since 1989. GE has also secured dramatic improvements in productivity in Hungary and has capitalised on the quality of local research workers.

But Tungsram has not been insulated from eastern Europe's economic crisis. To bear down on inflation, the Budapest government has maintained exchange and interest rates which are painfully high for exporters such as Tungsram. Sales in the former communist countries have fallen 90 per cent with the collapse of the Comecon bloc.

Westpac to trim its operations in Asia

By Kevin Brown in Sydney

WESTPAC, the troubled Australian banking group, said yesterday it planned to dispose of many of its Asian operations in a restructuring of its global activities.

Westpac is to sell branch operations in Seoul and Taipei, a joint-venture interest in Jakarta, and finance businesses in Indonesia, Taiwan, Hong Kong, Thailand, Malaysia and Singapore. Its six US offices will be consolidated into the New York office.

The group will focus on corporate banking and global financial market operations in Australia, New Zealand, the US, Europe, Japan, Hong Kong and Singapore.

It said the remaining Asian businesses would focus on servicing Australian corporations, foreign companies operating in Australia and New Zealand, and participants in financial markets. Westpac has already repositioned its European business to concentrate on similar activities.

Mr Robert Joss, the American banker appointed managing director last month, said its Asian banking and finance interests had been profitable, but were no longer central to the bank's objectives.

Mr Joss said the bank's global strategy "should be to concentrate on those businesses in which we have a clear competitive advantage and which offer significant prospects for growth".

The restructuring follows Westpac's abandonment of its 1980s strategy of offering a full range of banking services in the main global markets.

Westpac has suffered a series of reverses recently, climaxing in a record loss of A$1.5bn (US$1.06bn) for the year to September, after writing off bad debts of A$2.6bn and an unexpected US tax liability of A$106m. Five directors, including the then-chairman, resigned last year.

PepsiCo buys into Hungary

By Nicholas Denton

PEPSICO, the US food and drink group, yesterday acquired FAU, a leading Hungarian soft drink company, and said it would invest $115m in the Budapest area over the next five years.

The US group took a 79 per cent interest for an undisclosed sum in FAU, which had previously produced Pepsi products under licence for the Budapest area. This is the first time that Pepsi has taken an equity stake in one of the bottlers and distributors of its products in eastern Europe.

The acquisition of FAU's four plants is part of the broader drive by Pepsi to regain market leadership in Hungary from Coca-Cola and maintain its position in eastern Europe ahead of its rival. Pepsi plans to increase production capacity and boost output of soft drinks in plastic bottles.

Pepsi said yesterday it was also interested in acquiring the state-owned Pepsi franchise operations in Hungarian regions outside Budapest.

Pepsi's plans for Hungary are part of a wider investment in eastern Europe amounting to "close to $1bn", according to Mr David Jones, president of Pepsi-Cola International's Eastern Europe division.

Haeco profits rise 21% to HK$387m

By Simon Holberton in Hong Kong

HONG KONG Aircraft Engineering Company (Haeco), a Swire Pacific group company which holds the monopoly on commercial aircraft maintenance and engineering in the colony, yesterday posted a 21 per cent rise in net profits for 1992 to HK$387.9m (US$50m), from HK$320.6m in 1991.

The profits were struck on a 16 per cent increase in turnover to HK$2bn, from HK$1.8bn.

The company said there had been good use of its airframe maintenance facilities and increased activity in its overhaul division.

Mr Peter Sutch, chairman, said the volume of work passing through Haeco was expected to be satisfactory during 1993.

To maintain competitiveness, the company was focusing on improvements in productivity and a drive to improve quality, he said.

These measures were expected to produce an acceptable result in 1993, despite high inflation in Hong Kong.

Haeco is 51.85 per cent owned by Swire Pacific and 25.04 per cent owned by Cathay Pacific, the main customer for its services.

A question of duty for Samsung

Electronics group awaits key US decision on tariffs, writes **John Burton**

THE STAKES are high for Samsung Electronics, South Korea's largest electronics group, as it anxiously awaits a decision from Washington on whether the US will impose dumping duties on its semiconductors.

Such penalties could pose a serious threat to the company's profitability. Samsung Electronics, the flagship of the Samsung industrial conglomerate, reported a 5.5 per increase in net earnings to Won72.4bn ($91m) in 1992 as sales rose by 16.7 per cent to Won6,103bn.

The semiconductor division, although accounting for only 22 per cent of total sales, is the main source of the earnings for the company. Analysts estimate that the division generated taxable profits of Won110bn last year.

Its larger consumer electronics division, with 54 per cent of turnover, provided Won10bn in pre-tax profits, while telecommunications added another Won25bn, according to analysts.

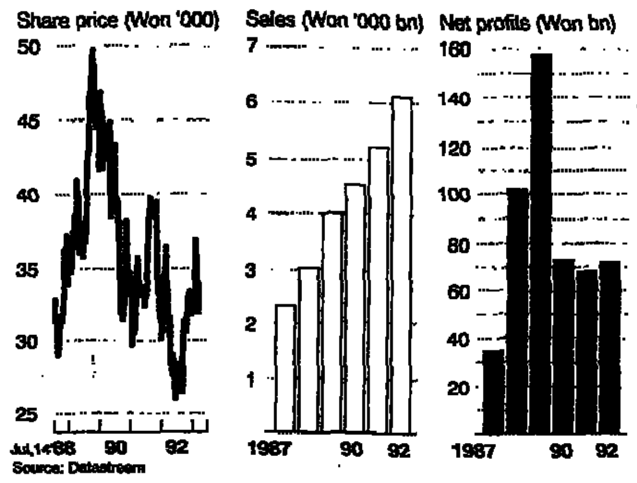
The personal computer operations incurred estimated losses of Won35bn. Pre-tax profits for the group were Won111.6bn – an increase of 21.2 per cent.

It is considered unlikely the US will penalise Samsung Electronics with the 87.4 per cent dumping duty on 1M and 4M dynamic random access memory (D-Ram) chips it proposed last autumn. This was in response to a complaint from Micron Technology, the US concern which provided Samsung with semiconductor technology in the 1980s.

But even a much lower duty could reduce semiconductor exports to the US, which purchased more than half of the company's output of D-Ram chips last year. "Anything above a 15 per cent dumping duty would be bad news for the company," said Mr Hwang Sung-june, electronics analyst for W.I. Carr in Seoul.

The US Commerce Department is expected on Monday to determine the level of dumping duty, while a decision on whether to impose it will be made by the end of next month. The US action follows a decision by the EC last year to apply a self-regulating pricing policy to Korean chipmakers after the EC threatened to impose dumping duties. Samsung is increasing semiconductor shipments to south-east Asia in response to the trade problems with the US and Europe.

Samsung Electronics



Source: Datastream

Samsung is the world's fifth-largest producer of memory chips and the biggest producer of D-Ram chips, which account for 70 per cent of its intergrated circuit production.

The group's strategic importance to South Korea may force the government to support it with increased subsidised loans and other aid for research and investment if dumping duties seriously threaten profits

The group's strategic importance to South Korea as one of the country's few competitive high-technology companies and its second-biggest listed concern may force the government to support it with increased subsidised loans and other financial aid for research and investment if the dumping duties seriously threaten profits.

Earnings are already under pressure due to the company's heavy research and capital expenditures, which total more than $1bn annually. Its 1992 research and development budget of Won460bn was the biggest among Korean companies, with almost half devoted to semiconductors.

The ambitious R&D effort has paid off with the recent development of what was claimed to be the world's first laboratory model of the 64M D-Ram chip. It also spent Won740bn last year to build a production line for 16M D-Ram chips and modernise consumer electronics factories. But R&D and capital spending increased its debt/equity to an estimated 320 per cent last year.

The looming challenges confronting Samsung Electronics forced a management reorganisation in December, with the company's four previously autonomous divisions being placed under the direct control of a new president, Mr Kim Kwang-ho, who was formerly head of the semiconductor division. The management consolidation was considered necessary to correct problems stemming from the 1988 merger between the Samsung Electronics and Samsung Semiconductor and Telecommunications.

A slimmer management structure is meant to end the duplication of research and sales activities among the four divisions, while promoting faster decision-making.

Samsung has recently forged technical alliances with other chipmakers to reduce production costs.

It signed an agreement in December to produce advanced "flash" memory chips developed by Toshiba. Samsung will also manufacture semiconductor chips at a Texas Instruments' plant in Portugal, while it plans to make semiconductor manufacturing equipment in a joint venture with Dainippon Screen of Japan.

Analysts believe that improved prospects for consumer electronics and telecommunications might balance a possible profit fall for semiconductors.

The consumer electronics division is cutting manufacturing costs by moving facilities to low-wage countries, with the production of microwave ovens in Malaysia, refrigerators in the Czech Republic and VCRs in China.

The depreciation of the Korean won has helped increase exports of consumer electronics to south-east Asia and Latin America, which are emerging as new markets as sales slow in the US and Europe. Domestic demand is also expected to expand this year as the economy recovers to an estimated growth rate of 6 per cent.

Public procurement of telecommunications equipment, such as Samsung's telephone exchanges, is also expected to rise this year with the installation of a new cellular telephone system.

But Samsung is likely to suffer continuing losses in its personal computer business due to fierce competition and price-cutting in this sector.

The Pru leads the line as bondholders join battle

Nikki Tait reports on the furore surrounding Marriott's demerger plans

THE SIGHT of The Prudential, one of Britain's largest institutional investors, rampaging through the UK corporate arena is familiar enough. It features less frequently on the US stage.

But a furore over plans by Marriott Corporation of the US to divide itself into two separately-quoted companies has pushed the Pru – via PPM America, its Chicago-based fund management arm – into the limelight.

The battle lines were drawn last October, shortly after the Maryland-based lodging and food services group had announced plans to spin off its financially-healthy hotel operations from its troubled property business.

Under this "demerger" scheme, Marriott would place its lodging business, together with its food and facilities management operations, in a new company, to be called Marriott International. Shareholders would receive shares in the new company pro rata to their existing holdings in Marriott Corp, and Marriott International would be quoted in New York.

This would leave the existing company – to be renamed Host Marriott – holding most of the group's property assets and its airport and toll-road concessions. Host Marriott would also be saddled with the bulk of the group's long-term debt, totalling about $3bn.

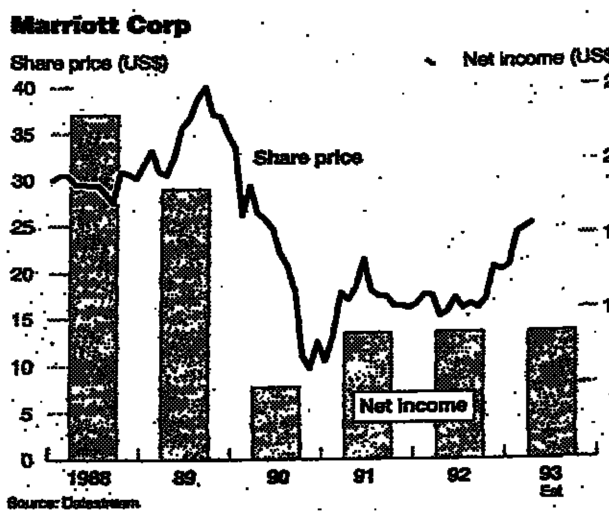
From the company's viewpoint, the scheme's advantages were plain. Marriott's management businesses, freed from the debt burden and the overhang of property assets which had proved hard to sell, could power ahead more aggressively as the recession ended.

Not surprisingly, Marriott Corp's shares took heart. Having fluctuated around $15 to $17 for much of 1992, the stock rose by more than $2 to $19¼ on the news, and yesterday morning stood at $25¾.

But if shareholders – who still include the Marriott family with about a quarter of the equity – had reason to smile, Marriott Corp bondholders were less fortunate. Analysts noted that Host Marriott would have debt of $2.9bn and a debt-capital ratio of 92 per cent. It would hold unsold property assets, the value of which could be affected by the vagaries of the US property market. The adequacy of the cash-flow coverage at Host Marriott was also questioned.

Credit-rating agencies shivered. Moody's moved Marriott's existing debt securities from investment to non-investment grade rating, and Standard & Poor's put them on "creditwatch". Bond prices plunged.

In December, some of the bondholders – led by PPM – sued. Their action related directly to a $400m sale of debt securities by Marriott in early 1992, and alleged the company knew the spin-off plan was being prepared even as it was selling the new notes.



Apart from PPM America – acting on behalf of Jackson National Life Company, the Pru's US life-insurance subsidiary – 14 institutions were named as plaintiffs. Together, they claimed "the market value of the shareholdings of the Marriott family increased more than $47m," as a result of the plan, "while the aggregate value of the plaintiffs' notes declined in excess of $35m".

Then, in late-December, Marriott announced it was talking to several bondholders, represented by Goldman Sachs, in the hope of "advancing the company's objectives" while making the deal more attractive to investors.

It is these talks which Marriott now says are close to a resolution. Details of the impending agreement have not been released, but it seems likely the pact would involve shifting a larger portion of the debt to Marriott International and, perhaps, enlarging the $600m credit facility that Marriott International would provide to Host Marriott.

The problem is that the lengthy negotiations have resulted in a split in bondholders' ranks. While the "Goldman" bondholders have been negotiating with Marriott, the PPM America group has been preparing to litigate over the demerger scheme – and, so far, the "litigating" bondholders do not like what they have heard about the proposed deal.

"Without being specifically aware of the proposed settlement terms, my general understanding is that it doesn't respond to our requirements," says Mr John Stark, PPM America's general counsel.

Mr Stark is quite clear what PPM wants. First, it is seeking to restore the bonds' credit quality (so a re-rating from single B to triple B); second, it wants the bonds to return to their "full trading value". For the latter demand to be satisfied, Mr Stark claims the bonds would need to trade at around 113; the likely Marriott-Goldman deal, he argues, would barely return them to par.

Meanwhile, S&P's made clear on Monday that although a transfer of between $350m and $700m of debt from Host Marriott to Marriott International might improve the bond ratings, it would be unlikely to lift them from a "low to mid-speculative grade".

PPM has a broader point to make, arguing that dangerous precedents, eroding bondholders' protection, are being set, and this could be part of a worrying trend. It points to recent prospectuses for debt offering from Lockheed and Tiphook. These included a clause saying the company's covenants to bondholders might have "limited, if any applicability, in the event of a highly-leveraged transaction or leveraged buy-out initiated or supported by the company."

Such language, PPM notes, is either new in investment grade offerings or, at the very least, more prominently presented. The Securities and Exchange Commission says it knows of no recent rule change which might have triggered the new language, although full disclosure is an age-old policy.

Posturing is a familiar feature of US corporate wrangles. But, so far, everyone is sticking to their guns. PPM America says it plans to file an expanded suit against Marriott this week, alleging fraudulent conveyance. Marriott is seeking to have the litigation dismissed next month, and is sticking to its mid-1993 timetable for the demerger. Battle has been joined.

Heinz shares slip on revised earnings-per-share forecast

By Nikki Tait in New York

SHARES in H.J. Heinz, the Pittsburgh-based food group, dipped by $1¼ to $43 yesterday morning after the company warned that earnings per share in the year to end-April would total about $2.50.

Analysts, guided by the company, had been predicting around $2.60 until recently.

The company blamed the reduced earnings forecast on "dramatic currency fluctuations caused by the withdrawal of the UK and Italy from the [exchange rate mechanism of the] European Monetary System, sustained marketing expenditures in certain select markets, and unusually adverse weather conditions affecting Weight Watchers meeting operations."

In the previous 12 months, it saw after-tax profits of $638.3m and earnings per share of $2.40.

Profits in 1991-92, however, were lifted by a pre-tax gain of $221.5m, resulting from the sale of the Hubinger business.

The revised earnings prediction implies a 30 per cent increase in fourth-quarter earnings per share and would still leave the company's profits at an all-time high.

It came as Heinz posted after-tax profits of $162.3m in the third quarter to January 27, against $115.3m in the same period of 1991-92. Sales increased to $1.77bn from $1.62bn and earnings per share rose from 43 to 62 cents.

Heinz attributed the third-quarter improvement to the 9 per cent increase in sales, of which 3 per cent came from volume gains, 2 per cent from price increases, and 7 per cent from the acquisition of the Wattie business in New Zealand; the benefits of a restructuring programme last year; and a reduced tax rate. The tax charge in the third quarter was $85m ($65.8m).

The third-quarter results, however, still leave after-tax profits for the first nine months of the year down to $460.3m, from $492.6m a year ago. Sales stood at $5.07bn, compared with $4.71bn.

CNBC targets Europe and Asia for expansion

By Raymond Snoddy

CNBC, the NBC cable television channel that specialises in business news, is planning to expand in Europe and eastern Asia.

The 24-hour channel carries around 12 hours a day of programmes devoted to Wall Street, supplemented by consumer and other news.

Several individual CNBC programmes are already broadcast to Europe on Super Channel, the pan-European channel which claims it is available in around 50m homes. CNBC is expected to announce today significant expansion of programming carried on Super Channel.

CNBC, available in 48m homes in the US, is also considering significant expansion in Asia by joining a satellite system there.

The CNBC move is the latest example of US cable television programmers expanding overseas, particularly Europe.

This week, Turner Broadcasting said it was launching its Cartoon Network and Turner Network Television in Europe on the Astra satellite, while Viacom said recently that it was introducing its Nickelodeon channel to Europe in a joint venture with British Sky Television.

Dell PC sales surge 117% in final period

By Louise Kehoe in San Francisco

DELL Computer, the US personal computer manufacturer, yesterday unveiled its fourth consecutive quarter of sales growth in excess of 100 per cent.

Net income for the fourth quarter more than doubled to $31.3m, or 77 cents per share, from $15.4m, or 41 cents, while Dell reported sales of $620.3m, a rise of 117 per cent on $285.7m in the same period last year. International sales rose 103 per cent to $242m in the fourth quarter.

"This has been an excellent quarter and a banner year for Dell," said Mr Michael Dell, chairman and chief executive. "We doubled our annual revenues to $2bn, more than doubled our market share and emerged as the third-largest IBM-compatible personal computer company in the world."

Net income for the year rose to $102m, or $2.59, up from $51m, or $1.40 in fiscal 1992.

Dell sells personal computers direct to users, by-passing dealers and retailers.

Sales to corporate, government and education accounts increased 132 per cent to $302m in the fourth quarter of fiscal 1993, compared with $130m in the same period in the previous year. Sales to small to medium-sized businesses and individuals rose sharply to $248m, up 128 per cent.

Hees hit by exposure to Trustco

By Robert Gibbens in Montreal

THE TWO most important holding companies in Canada's Edper-Hees group reported sharply lower profits for 1992 because of provisions to cover their exposure to troubled Royal Trustco and other units in the group.

Hees International Bancorp's profit fell to C$36.3m (US$29.4m) from C$178.4m in 1991, after a special C$91.4m provision. Hees International is at the top of the Edper Bronfman empire.

Brascan, the other holding company, reported a loss of C$113.4m after provisions, against a C$17.7m loss in 1991.

Both companies have significant holdings in Trilon Financial, which in turn controls Royal Trustco, Canada's second-biggest trust company, which is negotiating to sell most of its business to Royal Bank of Canada.

Trilon reported a nine-month loss of C$227m but has yet to report for the whole year. Royal Trustco has delayed its full-year results until talks with the Royal Bank are completed.

Edper-Hees also controls London Life, the depressed property developers Carena, Trizec and Bramalea, and Canada's biggest resource group, Noranda. Its controlling stake in John Labatt, the brewer, was sold last month for nearly C$1bn. The Hees provision included its share of charges made by the property units.

Du Pont speeds up phase-out

DU PONT, the US chemicals group, is accelerating the phase-out of chlorofluorocarbon production in developed countries by one year to the end of 1994, Reuter reports from Wilmington.

Du Pont said in 1988 it would phase out CFC production as soon as possible. Since then, it said, alternative technologies had been developed, adequate supplies of alternatives were available, and atmospherics measurements continued to confirm that ozone losses will increase. Refrigeration and air conditioning account for almost half of CFC use. About 80 per cent of the refrigerants Du Pont sells are used to service existing equipment.

Existing systems originally designed to use CFCs cannot use any known alternatives as a direct, drop-in replacement without modification or redesign.

Du Pont said it expected there would be sufficient alternatives capacity worldwide for the transition.

Spain and France bear brunt of turnround

By Richard Waters in London and Patrick Harverson in New York

EUROPEAN government bond markets fell yesterday after the strong rally of recent days, though traders said that the markets remained generally positive on the expectations of further German interest rate cuts.

The falls were most pronounced in Spain and France, two of the countries which have had the strongest run compared with German bonds. The yield on 10-year Spanish bonds eased to 11.37 per cent from 11.29 per cent by yesterday's close as the peseta weakened on the foreign exchanges, though it remained around one-third of a percentage point lower than a week before.

GOVERNMENT BONDS

French bond futures also fell back, with the Matif contract falling to 115.30 from 115.50 in moderate trade. The reversal led to a widening in the yield spread between German and French bonds, which had narrowed to around 75 basis points at the end of last week. By the end of yesterday, the spread stood at around 85 basis points.

Italian bonds also slid, though for domestic political reasons rather than on the general trend in Europe.

Prices fell sharply ahead of yesterday's special cabinet meeting on the corruption scandal as traders expressed fears that Mr Giuliano Amato, the prime minister, may have been about to resign.

"It was a great relief to see he didn't resign – there is no alternative to him," said Mr Andrew Roberts, an analyst at UBS Phillips & Drew.

The Italian bond futures contract on Liffe reflected the volatility, falling to a low of 96.30 from 96.78 before bouncing to a high of 97.10. It settled back to end around 96.80.

■ UK government bond prices fell yesterday, with losses concentrated in longer-dated issues, partially reversing the recent flattening of the yield curve. Producer price figures showing a higher-than-expected rise in input prices, due to sterling's devaluation, aroused some concerns about inflation.

Input prices rose 1.4 per cent in February (6.9 per cent year-on-year), though little of the extra cost was passed on in output prices, which rose 0.4 per cent in the month.

On a moderate day, with 28,000 contracts traded, the June long gilt contract on Liffe opened at 107$\frac{5}{32}$ and hit of a high of 107$\frac{11}{32}$ before ending back at 106$\frac{31}{32}$.

The tranche of 6¾ per cent gilts due 1995, announced on Monday before, was exhausted during the day.

■ US Treasury prices were flat to lower yesterday as the market continued to consolidate the big gains earned during Monday morning's frenzied rally.

By midday, the benchmark 30-year government bond was up $\frac{1}{32}$ at 105$\frac{1}{32}$, yielding 6.715 per cent.

At the short end of the market, the two-year note was down ⅛ at 99$\frac{29}{32}$, to yield 4.013 per cent.

In the absence of the economic statistics, trading was relatively calm, at least compared to Monday's early business when prices rose on reports that President Bill Clinton was ready to accept more spending cuts in his budget.

The lack of buying was partly a reflection of nervousness among investors ahead of today's expected announcement from the president of new measures to tackle the credit crunch.

In particular, the bond market is worried that new rules would be introduced restricting banks' acquisitions of Treasuries.

FT FIXED INTEREST INDICES

	Mar 9	Mar 8	Mar 5	Mar 4	Mar 3	Year ago	High *	Low *
Govt Secs (UK)	97.98	98.04	97.71	97.12	97.25	87.42	98.04	85.11
Fixed Interest	113.71	113.83	113.14	113.02	112.74	100.75	113.83	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992/93. Government Securities high since compilation. 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed interest high since compilation. 113.83 (8/3/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Mar 8	Mar 5	Mar 4	Mar 3	Mar 2
Gilt Edged Bargains	140.7	134.9	122.8	141.1	137.7
5-Day average	135.5	137.4	132.5	131.9	130.9

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	114.1141	+0.243	7.88	7.82	8.78
BELGIUM		9.000	03/03	112.0250	-0.250	7.27	7.50	7.63
CANADA *		7.250	06/03	98.9000	-0.650	7.40	7.28	7.86
DENMARK		8.000	05/03	99.3500	-0.200	8.09	8.50	8.75
FRANCE	BTAN	8.000	05/98	103.2700	-0.230	7.20	7.50	7.54
	OAT	8.500	04/03	107.9200	-0.710	7.36	7.42	7.72
GERMANY		7.125	12/02	104.2000	-0.170	6.52	6.85	7.02
ITALY		12.000	05/02	96.7800	-0.450	12.991	13.14	12.81
JAPAN	No 119	4.800	06/99	105.2335	-0.328	3.77	3.85	4.09
	No 145	5.500	03/02	110.4662	-0.152	3.93	3.93	4.30
NETHERLANDS		7.000	02/03	103.4400	-0.400	6.51	6.54	7.01
SPAIN		10.300	06/02	93.9000	-0.470	11.37	11.86	11.24
UK GILTS		7.250	03/98	103-03	-5/32	6.54	6.61	6.70
		8.000	06/03	53-04	-4/32	7.57	7.67	8.00
		9.000	10/08	108-08	-2/32	8.09	8.21	8.53
US TREASURY *		6.250	02/03	102-10	-1/32	5.94	5.95	6.29
		7.125	02/23	105-03	-13/32	6.73	6.84	7.17
ECU (French Govt)		8.000	04/03	103.3500	-0.500	7.51	7.70	8.06

London closing *New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Liffe launches Spanish contract

By Richard Waters

THE LATEST round in the battle for futures business between London and other continental European financial centres gets under way today as Liffe launches a Spanish bond futures contract.

Liffe claimed yesterday that its new contract, based on 10-year Spanish government bonds, would not take business away from Meff, the Spanish financial futures and options exchange, but would attract new business from international investors. "There is a much bigger market there than is being realised by Meff's contract," said Mr Roger Barton, head of business development.

However, Meff has claimed that Liffe's contract will split liquidity between the two markets, and has cut its fees in an attempt to lift its share of bond futures trading.

The futures contract is likely to be attractive to traders given the high volatility in the market, which at 7 per cent has been the highest of any leading bond market over the past year in terms of 50-day price movements. Spanish bonds are expected to outperform in local currency terms once German interest rates fall.

The competition for Spanish bond futures business comes as Liffe has established a 50 per cent to 60 per cent share of trading in Italian bond futures and a 60 per cent to 70 per cent share of German contracts. Its share of medium-term German bond (or Bobl) futures is far smaller.

CIBC offer raises C$407m

CANADIAN Imperial Bank of Commerce is raising C$407m in new equity through a public offer of common shares at C$27.15 a share, writes Robert Gibbens in Montreal. The proceeds will be used to bolster tier I capital, providing a ratio of 6.7 per cent. The issue increases its capital ratio to 9.5 per cent after two preferred stock offerings raised C$400m.

Turkey may place Netaş shares abroad

By John Murray Brown in Ankara

THE Turkish government might consider placing shares in Netaş, the Turkish telecommunications group, with foreign institutions following the failure of a local share issue.

The government's sale of shares in Netaş direct to the Turkish public has attracted applications for just 35 per cent of the offer.

The poor response is a blow to Turkey's privatisation programme, and a measure of the immaturity of the local share market.

Brokers say that at an offer price of TL8,250, the company is on a price earnings ratio of 2.6, markedly lower than others in the sector. However, fewer than 5,000 applications were received, 1,000 of which were from Netaş employees.

Netaş is 51 per cent owned by Northern Telecom of Canada. The government was hoping to reduce its share stake in Netaş from 49 per cent to 29 per cent via the offer.

To attract local institutions, the government is raising the ceiling for a single application from 5,000 to 30,000 shares, an investment of $27,000.

D-Mark sector helped by continued flood of issues

By Antonia Sharpe

The D-Mark sector became the centre of attention again yesterday as the recent flood of new international bond issues continued unabated.

Syndicate managers said they expected new-issue activity to remain high for the rest of the week, since most sectors of the international bond market did not appear to be saturated.

Yesterday's heavy issuance in the D-Mark sector – just over DM2bn was raised – came in a variety of structures and maturities, which helped the market to absorb a fair amount of the total. However, syndicate managers said that although investor demand for D-Mark paper was still healthy, it would take some time before yesterday's issues were fully placed.

INTERNATIONAL BONDS

They added that a widening of yield spreads in sovereign D-Mark-denominated paper, caused by fears that Finland's credit rating might be downgraded, could discourage borrowers from tapping this sector of the international bond market.

On Monday, a senior Finnish finance ministry official said it was likely that Standard & Poor's would lower the credit rating of the Republic of Finland in the near future. Finland is currently rated AA+ by the US credit rating agency. S&P declined to comment yesterday, but noted that it had a negative outlook on Finland's rating.

Yesterday, the European Investment Bank launched DM500m-worth of seven-year Eurobonds and, as usual, the pricing was tight.

The bonds were priced to yield eight basis points over comparable German government bonds.

The spread tightened slightly by mid-afternoon, but an official at the lead manager, WestLB, said this reflected weaker bund prices.

Deutsche Bank raised DM1bn for itself through an issue of four-year Eurobonds. The bonds were priced at 15 basis points over the series 99 of medium-term German government bonds, and later tightened to 13 basis points.

The D-Mark sector saw another wave of reverse floating rate notes (FRNs), and investor demand for these instruments geared to falling interest rates allowed some borrowers to increase the size of their issues.

The Republic of Austria increased its FRN issue to DM400m from DM300m and Dresdner International Finance added another DM50m to the DM150m FRN issue which it launched on Monday.

Goldman Sachs confirmed that it had won a mandate with Lehman Brothers to arrange a dollar-denominated Eurobond issue for the African Development Bank.

An official at Goldman Sachs said the issue would be launched within the next two weeks but declined to comment on market talk that the bonds would raise $500m and have a maturity of 10 years.

Meanwhile, Morgan Stanley is close to launching a Y50bn convertible Eurobond issue for the Bank of Tokyo.

The Eurodollar sector was also active, with Ciba-Geigy Corporation, the US arm of the Swiss drug company, raising $100m through an issue of seven-year bonds.

UBS Phillips & Drew, the lead manager, said the issue was part of Ciba-Geigy's current medium-term note programme.

The bonds were priced to yield 30 basis points over the 6¼ per cent US Treasuries due 2000, but the spread later tightened by five basis points, reflecting good demand, especially from Switzerland.

● State-owned Petroleos Mexicanos (Pemex) plans to issue up to $525m-worth of Eurobonds this year as part of its financing programme, Reuter reports from Mexico City.

Pemex intends to launch four Eurobond issues in all, the first two in dollars, with maturities of three to seven years and amounts of between $125m and $200m.

The other two issues could be denominated in D-Marks, yen, sterling or Swiss francs.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Toyo Engineering Corp.(a)♦	200	1.875	100	Mar.1997	2.25/1.5	Yamaichi Intl.(Europe)
Ciba-Geigy Corp.	100	5.875	101.385	Mar.2000	1.875/1.875	UBS P&D Securities
Bayerische Vereinsbank(b)‡#	100	(b)	99.875	Apr.2000	0.45/0.3	Merrill Lynch Intl.
Ryobi(a)♦	100	2.75	100	Mar.1998	2.25/1.5	Nomura International
Sanzo Finance (Cayman)(c,d)♦	65	1.875	100	Mar.1997	2.25/1.5	Nomura International
YEN						
Asahi Chemical Industry Co.	20bn	4.75	101.55	Jul.2000	1.875/1.725	Nomura International
D-MARKS						
Deutsche Finance (Neth.)	1bn	6.25	101.6	Apr.1997	1.75/1.125	Deutsche Bank
European Investment Bank	500	6.25	101.75	Apr.2000	1.75/1.125	Westdeutsche Landesbank
Republic of Austria(e)‡	400	(e)	100	Apr.2005	0.25/0.125	Trinkaus und Burkhardt
Rabobank Nederland(f)‡	100	(f)	100	Apr.2003	0.2/0.1	Salomon Brothers
Dresdner Int.Fin.(Dublin)(g)‡	50	(g)	102.675	Mar.2003	2.5/2.175	Dresdner Bank
FRENCH FRANCS						
Crédit Local de France	1.5bn	zero	48.95	Apr.2003	0.25/-	BNP Capital Markets
STERLING						
Bayerische Landesbank(h)	50	8.5	105.05	Feb.2003	2/1.65	SG Warburg Securities
CANADIAN DOLLARS						
World Bank	250	6.75	100.025	Apr.1998	1.875/1.725	Wood Gundy
GUILDERS						
Dresdner Bank	300	6.75	101.05	Apr.2003	1/0.625	Rabobank Nederland
KNP BT Anpilliana	300	7	100.7	Apr.2000	1/0.625	ABN Amro Bank
SWISS FRANCS						
Seikitokyu Kogyo Co.(c,i)♦★	110	1	100	Mar.1997	-	Swiss Volksbank
Nihon Kohden Corp.(j)♦★	70	1	100	Mar.1997	-	Yamaichi Bank (Switz.)

Final terms and non-callable unless stated. ★Private placement. ♦With equity warrants. ‡Floating rate note. #Semi-annual coupon. a) Final terms fixed on 16/3/93. b) Coupon pays (0.5 × the 10-year CMT) + 1.45%: minimum 5%, maximum 28%. c) Final terms fixed tomorrow. d) Warrants are exercisable into shares of Mitsui Engineering & Shipbuilding Co. e) Coupon pays 9.25% fixed annual in first year and 12.125% - 6-month Libor thereafter. f) Coupon pays 9% fixed annual in first year and 12% - 6-month Libor thereafter. g) Issue launched on Monday was increased to DM200m. Coupon pays 9.5% fixed annual in the first year and 12% - 6-month Libor thereafter. h) Fungible with the outstanding £100m launched on 28/1/93 40 days after payment date. Plus 47 days accrued interest. i) Callable on 25/9/93 at 101.75% declining by 0.25% semi-annually) j) Final terms fixed on 15/3/93.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on March 9

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106¼	106⅞		4.37
ALBERTA PROVINCE 9 3/8 95	600	110⅞	111¼	-⅛	4.85
AUSTRIA 8 1/2 00	400	114	114⅜		5.96
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ARBED 7 1/2 95 LFr	600	97⅛	98⅛	-1⅛	8.81
ECSC 7 3/4 96 LFr	1000	99½	100½	-½	8.12
WORLD BANK 8 96 LFr	1000	100		-1⅛	7.99
[illegible]					

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	48	15
Other Fixed Interest	3	12	0
Commercial, Industrial	354	246	815
Financial & Property	236	105	452
Oil & Gas	20	10	54
Plantations	2	2	4
Mines	36	11	91
Others	76	12	33
Totals	741	446	1,464

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt. Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div	Times Cov'd	Gross Yield	P/E Ratio
51	F.P.	-	75	52	Intl. Food Machinery	75		-	-	-	-
-	F.P.	-	95	91	Vilerilo Intl Units	95	+1	H3.4	-	4.8	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

Issue Price	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -
[illegible]							
345	Nil	9/3	70pm	53pm	Volex	55pm	
16	Nil	2/4	6pm	4½pm	Wills Group	5½pm	+¼
330	Nil	18/5	50pm	34pm	Yorkshire Chemicals	50pm	+1

a Annualised dividend. b Figures based on prospectus estimates. [illegible] Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium. ♥ Units comprising 1 ord. and 1 zero pref. share.

TRADITIONAL OPTIONS

● First Dealings March 8
● Last Dealings March 19
● Last Declarations June 17
● For settlement June 28

3-month call rate indications are shown in Saturday editions.

Calls in **Anglo Pacific, ASDA, Body Shop, Cannon Street Invs., Hanson warrants, Medeva, Queens Moat Hses.** and **Suffolk Park.** Puts in **Lloyds Chemists, Sturge** and **Wimpey.** Doubles in **Anglo Pacific, Barclays, First Natl. Fin., Monument Oil** and **Taunton Cider.**

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Apr	Calls Jul	Calls Oct	Puts Apr	Puts Jul	Puts Oct
Alld Lyons (*587)	550	45	58	67	4	20	27
	600	14	29	42	25	45	54
[illegible]							
Trafalgar (*78)	74	7½	12	15	3	6	8½
	83	3½	7½	11	7½	11	13
Utd. Biscuits (*377)	360	22	29	39	10	19	25
	390	6	17	25	29	37	40
Unilever (*1242)	1200	50	80	105	15	35	46
	1250	21	53	76	45	63	73

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
Brit Aero (*271)	260	32	44	54	18	27	38
	280	25	34	47	30	38	50

Option		Calls May	Calls Aug	Calls Nov	Puts May	Puts Aug	Puts Nov
BAA (*780)	750	54	63	78	14	29	36
	800	24	36	50	38	52	61
[illegible]							
Blue Circle (*233)	220	16	26	34	3½	15	23
	240	6½	14	23	11	28	34
British Gas (*306)	300	11	16	21	4	14	18
	330	2	5	9½	25	35	37
Dixons (*227)	220	13	25	29	4	13	21
	240	3	16	21	16	24	32
Eurotunnel (*476)	460	27	50	70	16	38	48
	500	6	35	48	43	62	74

Option		Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
Glaxo (*666)	650	30	62	84	12	34	46
	700	8	35	60	42	62	73
[illegible]							

EURO FT-SE INDEX (*2949)

[illegible]

FT-SE INDEX (*2949)

[illegible]

PUTS								
Mar	1½	2	3½	10	25	56	100	150
Apr	9	13	22	34	52	80	114	-
May	19	26	37	53	72	98	129	165
Jun	28	35	48	64	84	109	140	175
Dec †	-	90	-	165	-	170	-	225

March 9 Total Contracts 29,080
Calls 18,011 Puts 11,069
FT-SE Index Calls 3,734 Puts 4,134
Euro FT-SE Calls 2,969 Puts 80
*Underlying security price. † Long dated expiry months
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Mar 9	Day's change %	Mon Mar 8	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	129.92	....	130.18	2.01	1.98
2	5-15 years (22)	150.77	-0.08	150.89	1.76	3.03
3	Over 15 years (8)	159.69	-0.04	159.76	0.58	3.10
4	Irredeemables (6)	182.58	-0.22	182.98	2.50	1.48
5	All stocks (60)	146.48	-0.05	146.65	1.69	2.66
	Index-Linked					
6	Up to 5 years (2)	183.85	....	183.84	0.21	1.51
7	Over 5 years (12)	172.77	+0.09	172.60	0.86	0.87
8	All stocks (14)	173.10	+0.08	172.96	0.78	0.96
9	Debs & Loans (67)	130.02	+0.02	130.00	2.07	2.24

AVERAGE GROSS REDEMPTION YIELDS

			Tue Mar 9	Mon Mar 8	Year ago (approx.)
	British Government				
1	Low	5 years	6.49	6.45	8.83
2	Coupons	15 years	7.57	7.55	9.30
3	(0%-7¾%)	20 years	7.84	7.83	9.30
4	Medium	5 years	6.75	6.74	9.56
5	Coupons	15 years	8.07	8.06	9.39
6	(8%-10¾%)	20 years	8.24	8.23	9.35
7	High	5 years	6.92	6.89	9.79
8	Coupons	15 years	8.28	8.27	9.51
9	(11%-)	20 years	8.37	8.36	9.44
10	Irredeemables (Flat Yield)		8.33	8.31	9.49
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.02	2.01	3.53
12	Inflation rate 5%	Over 5 yrs.	3.46	3.46	4.34
13	Inflation rate 10%	Up to 5 yrs.	1.19	1.18	2.89
14	Inflation rate 10%	Over 5 yrs.	3.28	3.28	4.17
15	Debs &	5 years	8.46	8.46	10.90
16	Loans	15 years	9.17	9.16	10.69
17		25 years	9.40	9.39	10.53

Glynwed's £33m fails to impress City

By Paul Cheeseright, Midlands Correspondent

GLYNWED International, the diversified Midlands engineering group, yesterday reported a 30 per cent increase in pre-tax profits to £33.1m for 1992.

However, the figure was widely expected in the City and it failed to impress the stock market.

The shares, which last week climbed 26p to 291p, were firm immediately after the announcement but a reaction followed and, in moderate trading, they fell 7p on the day to close at 282p. That valued the group at £580m.

For the second year running Glynwed failed to cover its maintained dividend.

Mr Gareth Davies, chairman, who promised that "our fortunes are on the turn", made no apology: "We did not feel it right to cut when profits are rising," he said.

Earnings per share were 10.95p (8.43p) and a final dividend of 7.5p makes an unchanged total of 11.65p for the fourth year running.

A fall in turnover to £906.4m (£949.9m) largely reflected lower than average metal prices. However, there was a 10 per cent rise in operating profits to £44.8m while a cut in interest charges to £11.7m (£15.4m) gave an added boost at the pre-tax level.

Glynwed's fortunes are now showing the same pattern of recovery that they did after the 1980s recession.

The nadir of its fortunes in the current recession was in 1991. But trading conditions remained difficult and Mr Davies attributed the profits recovery, approaching the level of 1986, to reductions in operating costs and increased competitiveness.

He warned that "it will certainly not be before the second half of the year that the benefit of interest rate reductions, and any other economic stimulus, can be expected to have any worthwhile impact on our results."

Trevor Humphries
Smiles all round: Gareth Davies (centre) with managing director Bruce Ralph (left) and finance director David Milne

What Glynwed would like specifically is for the growing number of house reservations to be translated into sales, an expansion of motor exports and a rise in metal prices. "If these come to pass we shall do well," Mr Davies asserted.

Last year Glynwed continued to take losses in its tubes and fittings division, but profits increased from steels and engineering, were steady on consumer and building products and declined in the plastics and property divisions.

● COMMENT

Glynwed is decently poised for recovery, and a rise in metal prices, which has started to happen in some sectors, would rapidly feed through to the bottom line. The group has been expert in the past in wringing profits from staid businesses – indeed, the return on capital employed went up to 15.5 per cent from 12.4 per cent last year. But that route to higher profits looks played out for the immediate future, pitching Glynwed's prospects firmly on to those of the UK economy. A modest upturn would make brokers' estimates of pre-tax profits of £45m for 1993 look a realistic estimate. That would translate to earnings per share of 15p, putting the shares at yesterday's price of 282p on a prospective p/e of 18.8, high enough if it is assumed that some part of the corporate recovery is already built into the price.

Rediscovering a taste for the Midlands

Engineering companies have recently been popular stocks. Paul Cheeseright reports

GLYNWED International, more generally accustomed to a life in the shade as an indicator of UK industrial fortunes, a stalwart of the Midlands engineering industry, has suddenly looked fashionable. There has been a minor vogue on the stock market for engineering companies.

Since the beginning of the year a host of Midlands industrial groups, especially second line stocks like Concentric, Bromsgrove Industries, Ash & Lacy and Dowding & Mills, have enjoyed a revival of investor interest. That interest caught up with Glynwed last week.

Partly this reflected the expectation of higher earnings after two hard years of recession. The surveys have been more encouraging.

This week the Engineering Employers' Federation West Midlands reported that for the first time since last May more companies are reporting fattening order books than those reporting a downturn in demand. Capacity utilisation has increased modestly.

The recovery in Glynwed's annual profits is symptomatic of a more general phenomenon in the Midlands – the great push for productivity growth during the last two years.

Mr Gareth Davies, the Glynwed chairman, attributed the 30 per cent rise in earnings to "the measures taken to reduce operating costs and adapt operations to lower levels of demand in order to improve competitiveness and manage cash".

The effect of cost-cutting measures on GKN, the automotive components manufacturer with plants around the Midlands, will be seen today. And next week IMI, the diversified engineering group and another of the large Midlands companies, will announce its figures.

The recession pushed managements into finding ways to obtain fatter profits from a more slender base.

In many cases, they have accepted slow market conditions as the norm and have preferred to treat any enlargement of demand, any chance to raise prices, as a bonus to be exploited rather than a natural change in the commercial order of things.

Recent prices in steel billets, for example, have quickly given a new element of profitability to some of Glynwed's steel processing. As steel manufacturers seek to make higher prices stick, the prices of Glynwed steel products are ratcheted upwards.

In the earlier part of the recession, solace could be sought in the markets of continental Europe, especially for the motor component manufacturers.

Now that is disappearing, the investment fashion has swayed. Europe is out. The UK and the US are in.

Transfer Technology is another Midlands group, the shares of which have been favoured and which also announced figures yesterday. Part of its sharp rise in profits came from the exposure to the US for a third of its sales of precision components and manufacturing systems.

Glynwed captures the movement as well.

Albert E Sharp, the Birmingham-based broker, suggested: "With the majority of sales still made in the UK, Glynwed will clearly be a significant beneficiary of any improvement in the domestic economy.

"The relatively small proportion of continental European earnings, which over the last two years have been the group's main weakness, is now likely to be one of its key attractions in the eyes of investors."

This is not the case with either GKN or IMI, the shares of which have not moved up with the same enthusiasm as the engineering second liners. They both have extensive exposure to the German market, and it remains to be seen whether their US interests will be sufficiently strong to offset any downturn in their European markets.

After the 1980s recession there was a general move among Midlands engineering groups to expand exports and to cut their vulnerability to the cycles of the UK economy.

Glynwed went down this route but not with the same enthusiasm as GKN and IMI. It was then deemed a weakness. Now it is seen as a strength.

Another factor has been the room for catching up by the engineers and the metal processors on the stock market. Last year engineering stocks were sluggish, declining relative to the FT-A All-Share Index.

This had the effect, this year, as interest rates settled at abnormally low levels, of making the yield on companies like Glynwed look increasingly attractive. Investors responded enabling the engineering sector to out-perform the index.

Transfer Technology up 72% to £9.45m

By Paul Cheeseright, Midlands Correspondent

TRANSFER Technology, the specialist engineering group, increased pre-tax profits by 72 per cent last year with the help of acquisitions.

Pre-tax profits for 1992 rose from £5.51m to £9.45m. Earnings per share, affected by last year's £23.9m rights issue, rose less sharply to 42.8p (36.5p).

The group has shifted the emphasis of its business since it was formed through the merger in 1991 of Central & Sheerwood, a Robert Maxwell company, and interests controlled by Mr Geoffrey Robinson.

Through acquisitions and organic growth, dependence on the automotive components sector has been reduced so that the main contribution to operating profits now comes from control and manufacturing technology.

Turnover of £106.9m (£68m) produced a gain in operating profits to £10.3m (£5.38m).

Acquisitions accounted for £23m of turnover and £3m of operating profits.

Mr Robinson, chairman, said that organic growth was now "the number one priority", although he did not rule out further bolt-on acquisitions.

The profit growth, on top of a rise in net margins from 8.1 per cent to 8.8 per cent, partly reflected the rationalisation of acquisitions. Mr Robinson added that growth also came from the diversity of geographical markets and sectors.

A final dividend of 9.75p raises the total to 16p (13p).

Zurich buys much of Municipal Mutual

By Richard Lapper

MUNICIPAL Mutual Insurance, the local authority-owned insurer which withdrew from the market last year, yesterday concluded negotiations to sell substantial parts of its business to Zurich Insurance, one of Europe's largest insurance companies.

The deal was predicted to go ahead after Zurich offered renewals to all existing local council policyholders under an interim agreement with MMI in October.

As expected the Swiss group will not assume responsibility for liabilities arising on policies which were underwritten by MMI before September 30.

Zurich said yesterday that it expected the EC competition authorities in Brussels to approve the deal.

Zurich will employ 1,500 MMI staff and also provide claims servicing facilities to MMI. Zurich, which will call its new subsidiary Zurich Municipal, has purchased the Bournemouth office building of MMI and taken leases on remaining operational locations.

Welcoming the deal Mr Brian Wright, MMI chief executive, said: "The deal achieves a major part of our plans for the sale or solvent run-off of the business."

MMI withdrew from the market last May but management, lead by Mr Wright, were initially unsuccessful in finding a buyer. A number of UK companies examined the business. In October a deal involving the French group, Garantie des Foncionnaires Mutuelles, fell through.

Etonbrook Properties' board in talks with dissidents

By Peter Pearse

The board of Etonbrook Properties, the property developer, said it was considering the application by Mr Andrew Perloff, who has a 19.13 per cent stake, and others to requisition an extraordinary meeting.

Mr Perloff wishes to submit resolutions to appoint himself, Mr Malcolm Bloch and Mr Peter Rowson as directors, and to remove Mr Jonathan Harris, Mr RL Dean, Mr Keith Moss, Sir Brian Hill, Mr PM Archer and Mr R Seifert from the board.

The board said it was in discussions with Mr Perloff which might or might not lead to an offer for the outstanding share capital. It advised shareholders to take no action.

Premium of 24% at Yorkshire Food

In the first day of trading, shares in Yorkshire Food Group, the Bradford-based food processing company, opened at a near-24 per cent premium to the placing price.

Placed at 110p, they rose 2p on the day to close at 138p.

Low & Bonar cash call to fund £34m buy from Kellogg

By Peggy Hollinger

LOW & BONAR, the packaging and plastics company, yesterday launched a £50m rights issue to fund the acquisition of a folding carton manufacturer and to reduce debt.

The group announced that it had agreed to purchase Manchester-based Cereal Packaging from Kellogg, Europe's leading cereal manufacturer, for £33.5m cash.

Mr Jim Leng, chief executive, said the deal would create Britain's third largest folding carton company.

Traders welcomed the cash call and acquisition and marked the shares up 9p to 344p, in contrast to the declining market.

Mr Leng said Low & Bonar expected to benefit from significantly enhanced purchasing power following the acquisition. The group also planned to expand Cereal Packaging's capacity – which to date had been aimed solely at servicing Kellogg's needs. The business would compliment Low's existing Bonar Cooke Carton operation, he said, and give access to the rapidly growing European cereals market.

As part of the deal, Kellogg has agreed to a five-year purchasing contract with specified prices. Based on the prices and volumes of this contract agreement, Cereal Packaging would have made profits of roughly £4.5m last year. Assets are expected to be valued at about £8m, following evaluation of stocks.

The deal will be funded through a 1-for-4 rights issue of 19.5m shares at 265p. This will raise £50.2m, of which £16.7m will be used to reduce debt.

Low & Bonar, which announced a sharp decline in annual pre-tax profits from £21.6m to £8.1m last month, has net debt of £36.5m. After the issue, gearing will fall from 30 per cent to 15 per cent.

Mr Leng said the debt reduction would allow Low to act on other acquisition opportunities. The company, which has reorganised its troubled US operations, aimed to expand in Europe.

The group hoped to make an announcement within the next two months.

Ocean disposes of non-UK bulk liquid storage operation

By Peter Pearse and Ronald van de Krol

OCEAN GROUP, the freight, environmental and marine services conglomerate, has sold the non-UK activities, or some 80 per cent, of its bulk liquid storage company for £55m including debt.

Panocean Storage & Transport, the sold business, has operations in the Netherlands, Belgium and the US.

In 1992 it made operating profits of about £5m (£5.7m) and pre-tax profits of £3.1m.

Shares in Ocean rose 10p to 296p yesterday.

The buyer is Royal Pakhoed, one of the biggest storage groups in Rotterdam, the world's largest port.

The consideration is expected to be about £41m and Pakhoed is also assuming some £14m of debt.

At December 31 the businesses had a net asset value of about £51m.

Mr Nicholas Barber, Ocean's chief executive, said that the sale would reduce his company's gearing by 20 points to about 17 per cent and would result in a book loss of about £16m.

He said that in profit terms Panocean "had kept its nose clean", but that there had been a low cash return on the assets.

"We took a hard-nosed view of a business not able to deliver the results we required," he added.

Ocean has retained Panocean's UK business, which has operations on Merseyside and Humberside and, at December 31, a net asset value of about £7m.

Pakhoed said the acquisition would boost its total worldwide storage capacity by about 20 per cent and would give it a foothold in a new business, the storage of edible oils and fats.

Besides chemicals and mineral oils, Pakhoed is already active in the storage, transport and distribution of fruit and forest products.

Pakhoed said it expected the Panocean operations to make more than 1992's £3.1m when under its control, partly because of lower interest and overhead costs.

Mr Barber said he expected the recommended final dividend for 1992 to be maintained at 9.62p to hold the total at 14.33p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Everest Foods, Haggas (John), Mucklow (A&J).

Finals- BAT Inds, Cadbury Schweppes, Cluff Res, Eidos, Fleming Merc Inv Tst, GKN, Kleinwort Smaller Cos Inv Tst, Medeva, Rosebys, Standard Chartered, T&N, Vickers, Willis Corroon.

FUTURE DATES

Interims-

Headway	Mar. 12
Kwik Save	Apr. 29
Finals-	
Boustead	Apr. 1
Bunzl	Mar. 22
Clyde Petroleum	Mar. 23
Davis Service	Mar. 18
Hampden Group	Mar. 16
Macallan-Glenlivet	Mar. 29
Matthews (Bernard)	Mar. 24
Mayborn	Mar. 23
Northern Foods	Jun. 9
PE Intl	Mar. 22
River & Merc Am Cap & Inc	Mar. 18
Rutland Trust	Mar. 18
Telemetrix	Mar. 16
Thomson	Mar. 17
Try	Mar. 17

Postel Investment drops US venture capital link

By Charles Batchelor

POSTEL Investment Management, one of Britain's largest institutional investors, has dropped plans to establish a European venture capital fund jointly with a US investment company.

Postel, which has £20bn under management, and Chancellor Capital Management, a New York-based money management company, have dissolved their joint venture after failing to reach their minimum fund-raising target of $100m (£70m). Postel was to have provided $20m of this.

When the project was announced a little less than two years ago it was hailed as a significant departure for Postel, which has venture and development capital investments worth £300m on behalf of the Post Office and British Telecommunications pension funds. Postel had not previously managed funds for third party investors.

Chancellor, which led the US fund-raising drive, decided in December that there was no point in continuing, said Mr Ray Maxwell, venture capital manager for Postel.

"It was a disappointment," he said. "We were over in the US every month in 1992 fund-raising. This sends a rather disturbing message to the European venture capital community. The Americans have been disappointed with the results of their investments in Europe."

The reasons for the failure were a combination of poor economic news from Europe, currency uncertainty surrounding the exchange rate mechanism and a change in the attitude of US institutions towards investing indirectly through venture capital funds.

Chancellor's fund-raising may also have suffered because another large international fund, launched by Hancock Venture Partners, went to market first.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
BBA	fin	5.25	May 28	5.25	7.5	7.5
Candover Invs	fin	6.5	May 10	6	10.25	9.5
Close Bros	int	3.2†	Apr 23	3	-	9.5
Glynwed Intl	fin	7.5	July 1	7.5	11.65	11.65
Hillsdown	fin	6.6	July 1	6.6	8.8	8.8
Kerry	fin	1.47♣	-	1.4	2.26	2.15
Kleinwort Dev	int	2.75	May 14	2.75	-	10.5
North Midland	fin	0.3	May 26	0.5	0.6	1
Singer & Fried	fin	1.6	June 2	1.5	2.6	2.5
Strong & Fisher	fin	1	May 28	1	1	1
Thorntons	int	1.25	Apr 30	1.25	-	3.65
Transfer Tech	fin	9.75†	July 1	6.75	16	13
Union Discount	fin	nil	-	2	nil	13.5
USDC Inv Trust	fin	3.25	Apr 23	3.25	4.5	4.25
Wates	fin	nil	-	2.96	0.77	3.73

Dividends shown pence per share net except where otherwise stated.
†On increased capital. ♣Irish pence.

Hillsdown rethinks expansion

By Maggie Urry

HILLSDOWN Holdings' results bore the brunt of the group's earlier mistakes made when it expanded rapidly through acquisitions.

Pre-tax profits dipped and a £92.3m provision was taken below the line.

The group now plans a pause in such expansion for at least 12 months while it concentrates on sorting out its existing operations. It will also close or sell about 30 businesses.

Sales from continuing operations rose 6 per cent but total sales were down 6.1 per cent to £4.37bn.

Operating profits fell 20 per cent to £184.9m, though profits from continuing businesses fell 12.2 per cent to £185.6m. Profits included £6.4m (£10.6m) from fixed asset sales.

Operating profit margins fell as recession-hit consumers traded down.

A reduction in the interest charge from £44.9m to £30.8m reflected the rights issue in November 1991.

The tax charge rose from 20.5 per cent to 25.9 per cent as unutilised tax losses ran out.

The tax rate is expected to rise to about 30 per cent in 1993. The group is also facing an advance corporation tax problem but hopes to avoid paying any irrecoverable ACT this year.

Minorities fell from £25m to £20.3m, reflecting lower profits in Canada and at Strong & Fisher.

With the extra shares in issue, earnings per share fell from 21p to 13.6p. An unchanged final dividend of 6.6p gives a maintained 8.8p total.

Food processing operating profits fell 10 per cent to £123.4m, with mixed results from the range of activities.

The fresh meat and bacon division suffered a 60 per cent profit fall to £12.8m as lower volumes hit the commodity end of the business. Poultry and egg profits rose 3.8 per cent to £27.3m.

In non-food activities, furniture profits were ahead from £12.6m to £14.8m. Profits from housebuilding property and specialist activities fell 59 per cent to £11.6m.

- Pre-tax profits of Strong & Fisher (Holdings), the leather and by-products group 70.3 per cent owned by Hillsdown, were below expectations at £2.23m after exceptional debits of £562,000.

The previous accounting period covered 18 months when pre-tax profits were £2.43m after an exceptional debit of £4.55m. Sales were £83.6m (£114.6m).

There was a tax credit of £491,000 from the release of an unused provision. Fully diluted earnings per share were 1.05p (0.54p).

The annual dividend is unchanged at 1p.

Maple Leaf moves ahead 16%

Maple Leaf Foods, the food processing group 56 per cent owned by Hillsdown, reported profits of C$69.2m (£38.8m), or 86 cents a share, for 1992, up 16 per cent, writes Robert Gibbens.

Sales were C$2.8bn, down slightly reflecting the group's withdrawal from the beef business.

Fourth-quarter profit from continuing operations was C$17.8m, or 22 cents a share, against C$19.4m, or 25 cents a share, on sales little changed at C$739m.

The company said disposals, heavy investment in facilities and rising efficiency had created a sound base for future growth in Canada and the US.

Acquisitions help Kerry rise 19% to I£28.7m

By Tim Coone in Dublin

KERRY GROUP, Ireland's fast-growing milk and meat processing company, reported a 19 per cent increase in pre-tax profits for 1992, from I£24.1m to I£28.7m (£29m), on turnover up 10 per cent to I£826.7m, against I£754.9m.

The results incorporated the first full-year contributions from a series of 1991 acquisitions, Kantoher, Meadow Meats and Tunney Meats in Ireland, Dairyland Products in the US and Eastleigh Flavours, a UK food ingredients company.

During 1992 the company acquired Buxted Duckling in the UK and Tuam Dairies in Ireland.

Two thirds of the company's turnover is now from overseas. Meat processing now accounts for 50 per cent of the group's business.

Turnover has nearly trebled since 1987, while earnings per share and pre-tax profits have more than doubled and risen 3½ times respectively in the five years.

Earnings per share for 1992 rose 9 per cent to 15.8p (14.5p). A final dividend of 1.47p (1.4p). is recommended making a total of 2.26p, compared with 2.15p.

Mr Liam Igoe of Goodbody, the Dublin stockbroker, forecast 1993 earnings of 16.6p per share on pre-tax profits of I£32.7m, although he said "there could be some upside on that due to the strength of the dollar".

Candover assets up 9% but new activity halves

By Charles Batchelor

CANDOVER Investments, an investment trust specialising in management buy-outs, increased net assets per share and pre-tax profits in 1992 but saw a halving of its new investment activity.

Mr Roger Brooke, chairman, said it would take only a modest economic recovery to produce a significant increase in the value of Candover's investments, but it remained difficult to read the UK economy.

The sharp decline in interest rates would, however, make it considerably more difficult to maintain income levels from the company's cash and investments in short-term securities this year, he warned.

Net assets per share rose by 9 per cent to 267p in the year ended December 1992 while fully diluted earnings per share rose 12 per cent to 13.7p. Candover proposes to pay a final dividend of 6.5p, making a total of 10.25p, an increase of 8 per cent.

Pre-tax profits rose by 4 per cent to £4.1m. Because the tax charge was smaller than expected, profits after tax rose by 11 per cent to £3.15m.

Net assets increased by 9 per cent to £59.8m to show annual compound growth of 22 per cent in the eight years since Candover was listed.

The FT-A All-Share Index has risen 14.3 per cent a year over the same period.

Candover was cautious about making investments in 1992 because of uncertainty about when the recession would end, while many companies deferred disposing of non-core activities by means of a buy-out in the hope they could obtain a better price by waiting.

The result of this was to reduce total investments by Candover and its managed funds to £45.8m from £89.8m in 1991.

Candover still had £100m available in its two main funds and so did not have to think seriously about raising new finance, Mr Brooke said.

Germany, which accounts for half of Candover's non-UK investments or 5 per cent of its total assets, has been a cause of concern.

Candover's shares rose 5p to 253p.

Hambros to raise £35m in HIS float

By Richard Lapper

Hambros, the merchant banking group, expects to raise £35m by floating its insurance business, Hambros Insurance Services, later this month, according to the pathfinder prospectus issued yesterday.

HIS will receive £15m, before expenses, of the proceeds, of which £2.5m will be used to reduce short-term debt. The remainder represents the sale of shares by Hambros and minority shareholders. Hambros will retain a 50 per cent holding.

Turnover of the four companies which make up HIS – Cunningham Hart, the loss adjusters, Hambro Legal Protection, the legal expenses insurer, Beale Dobie, a market maker in second hand endowment policies, and Berkeley Insurance, a London market consultancy – increased to £56.6m (£38.5m) in the 12 months to March 31 1992.

The issue will be underwritten by Panmure Gordon, brokers to HIS.

Fleming Emerging to raise £50m

By Philip Coggan, Personal Finance Editor

FLEMING Emerging Markets, the specialist investment trust, is attempting to raise £50m to take advantage of what it sees as increasing investment opportunities in developing economies.

The trust has conditionally placed 37.5m shares and is offering a further 12.5m shares to existing share and warrantholders by way of an offer for subscription.

The shares are C shares, which will bear the costs of the issue and so ensure that no dilution is suffered by existing holders. When the bulk of the proceeds are invested, the C shares will be converted into ordinary shares at asset value.

The offer will close on March 31 and it is expected that dealings in the new shares will start on April 6.

Emerging markets are seen as attractive investments because they have higher rates of economic growth and underdeveloped stock markets, and because many governments are liberalising their investment regulations. Templeton Emerging Markets Investment Trust is also considering raising new funds.

French group sells Bristol Water stake

Lyonnaise des Eaux Dumez, the French water and construction company, has sold its 17.5 per cent stake in Bristol Water Holdings.

The company sold more than 1m shares to Cazenove, the stock broker, which placed them with institutional investors.

The French group took stakes in a number of British water companies around the time of the industry's privatisation.

Australian group sells 21.5% stake in Govett

By Philip Coggan, Personal Finance Editor

JAMES HARDIE, the Australian building products group, has sold its 21.5 per cent stake in Govett, the financial services group.

The holding of 16.1m shares has been bought by Bear Stearns, the US broker.

Bear Stearns has sold 7.5m shares to Govett itself – 4.9m shares have been bought back by the company to enhance earnings per share – the remaining 2.6m shares have been bought by the employee share options scheme.

The deal was done at 208p, below the market price. James Hardie has announced it is selling off some of its peripheral holdings.

Shares in Govett, which announced a 25 per cent rise in annual earnings per share on Monday, rose 3p to 235p yesterday.

Tomorrows Leisure warns of £1m loss

Shares of Tomorrows Leisure fell 4p to 22p yesterday following a warning from the directors that the USM-quoted hotels, golf and leisure centres group would incur a pre-tax loss in excess of £1m for the year to March.

That would compare with profits of £731,000 (£860,000) for the previous 12 months and with a deficit of £110,000 for the opening six months of 1992-93.

COMPANY NEWS: UK

Boost from money market and Winterflood sale

Union cuts loss to £16.3m

By Richard Waters

A TURNROUND in its core money market operations and the sale of its equity market-making business for £19m meant that Union Discount, London's oldest specialist discount house group, could survive as an independent company, Mr George Blunden, chief executive, said yesterday.

Announcing a pre-tax loss of £16.3m, an improvement on the £23.6m loss the year before, Mr Blunden said Union had succeeded in returning to break-even at the operating level in the second half. However, the group is not paying any dividend for the year (13.5p).

Talks about a sale of the group had been called off last week because the unnamed potential bidder failed to offer enough for Union's troubled leasing business, Mr Blunden said. The group is now planning to reorganise its remaining leasing operations, selling some parts and running off the remainder.

The sale of Union's 90.5 per cent stake in Winterflood Securities, the specialist smaller companies marketmaker, was intended to provide the capital to underpin money market operations, allowing it to expand into more profitable areas of trading such as bond arbitrage.

Winterflood made a profit of £4.42m for the year, reflecting a return of interest in smaller companies.

The performance of the group was held back by a loss of about £3m on the day sterling pulled out of the European exchange rate mechanism in September.

Since then the discount house operation had been profitable. Discount house operating losses for the year were £5.1m, compared with £2.6m in 1991.

After higher provisions over leasing in the first half, Union made no further provisions for the year. Operating losses in asset financing fell from £16.3m in 1991 to £7.6m. If Union fails to find a buyer for its leasing assets, it could face extra costs of an estimated £7m over the next three to four years, said Mr Blunden.

Losses per share, at 78.2p, were down from 98.9p. Net assets per share fell from 300.63p to 187.92p, though the sale of Winterflood added a further 32p a share.

Close seeks funds for purchase

By Peggy Hollinger

CLOSE BROTHERS yesterday embarked on its first cash call as it sought funds for the £19m acquisition of Winterflood Securities, the small companies marketmaker.

The merchant bank announced a placing and a 1-for-7 open offer of 5.5m shares at 315p. This will raise £17.3m towards the acquisition of Union Discount's 90.5 per cent stake in Winterflood and £3m in debt. Close shares rose 4p to 344p.

Winterflood's management, led by Mr Brian Winterflood who set up the business in 1988, will be granted incentives as part of the purchase agreement.

These include options over 15 per cent of the marketmaker – which could bring management's stake to almost 25 per cent – and 5 per cent of Winterflood's profits up to £5m.

Mr Winterflood said the firm would be run as it always had been – "with no interference from big brother". He has plans to expand the business organically and through expansion in the jobbing sector.

Mr Peter Winkworth, an executive director of Close, said Winterflood would be a "very good strategic fit".

Close also reported a 6.7 per cent advance in pre-tax profits to £6.8m for the six months to end-January.

The interim dividend is increased in line with profits from 3p to 3.2p.

Earnings per share rose from 11.56p to 11.91p.

The loan book was ahead 3 per cent at £285m.

Pict Petroleum ahead on weakened pound

By Peggy Hollinger

A WEAKER pound helped Pict Petroleum, the oil exploration company, report a surge in interim profits from £1.1m to £2.9m on turnover 19 per cent lower at £4.8m, against £5.9m.

Mr John Lander, managing director, said currency gains had contributed £1.4m, against last year's £442,000 loss, to pre-tax profits for the six months to December 31.

The stronger dollar and weaker pound had also helped to offset a decline in the oil price from \$19.50 to \$18.76 per barrel. Sterling barrel rates averaged at £10.94, against £10.99 last year. Mr Lander said the exchange rate was likely to continue to benefit the group in the second half. "With a stronger pound, if nothing goes wrong, it should be a very good year-end," he said.

Cash balances rose from £15.9m to £16.9m, helping to boost interest income from £254,150 to £627,887.

Earnings were 5.66p (2.97p).

AJ Archer agrees to buy Castle Holdings

By Richard Lapper

AJ ARCHER Holdings, the quoted Lloyd's underwriter, has reached agreement to acquire Castle Holdings. The association will form one of the largest agency groups at the Lloyd's insurance market.

Castle shareholders will receive 12.5m Archer ordinary shares, valuing the smaller group at about £5m.

The takeover will create an agency managing 15 syndicates, with a combined capacity – or capital base – of £391m. Although the group will still be significantly smaller than Sturge Holdings, the market leader with managed capacity of more than £700m, it ranks alongside such agencies as Merrett, Wellington and Murray Lawrence.

The agency will also handle the affairs of some 640 Lloyd's Names – the individuals whose assets make up Lloyd's capital base – as a result of the merger of its members' agency interests.

Singer & Friedlander faces new £8.6m claim

By Robert Peston, Banking Editor

SINGER & Friedlander, the banking and property group, said yesterday it faces a new claim for damages of £8.6m from the department of trade and industry stemming from Singer's role as adviser to interests connected with Barlow Clowes, the fraudulent investment group.

The company said the new claim was "in relation to Singer's role in connection with Barlow Clowes and the bid for Buckley's Brewery in 1987".

Last May, Singer disclosed that it and three other City firms faced a separate claim of £40m from the DTI.

Singer also announced yesterday that its pre-tax profits fell 61 per cent to £6.05m in 1992. However, the fall was attributed to an exceptional debit of £10.1m to cover the fall in value of properties held for long term investment.

Without this debit, pre-tax profits would have risen 5 per cent to £16.2m.

There was a 33 per cent rise to £9.29m in trading profits from banking operations. Mr John Hodson, chief executive, said this was in part attributable to a "big turnaround" from losses to profits in a business which sells the high yielding debt of South American companies.

He added that there was also a strong performance from the corporate finance department's offices in Leeds and Nottingham, which give advice to small and medium-size companies. Singer's property division made profits of £3.05m, down from £3.12m. The fall was attributable to a rent free period granted on a new investment, now fully let.

Earnings per share, excluding the exceptional item, rose 22 per cent to 5.86p.

The total dividend was raised from 2.5p to 2.6p via a final of 1.6p.

Wates incurs £75m loss and omits final pay-out

By Paul Taylor

WATES CITY of London Properties, the property investment and development group, yesterday reported a £74.9m pre-tax loss for 1992 and passed its final dividend.

Net assets per share more than halved to 74.4p (151p).

The deficit, which compared with previous profits of £8.17m, largely reflected the transfer of a net £71.9m deficit on the revaluation reserve to the profit and loss account, coupled with a £8.77m loss taken on the sale of two investment properties.

Net rental income increased by 5 per cent to £15.8m (£15m) but interest payments climbed to £8.77m (£3.92m) and largely accounted for the decline in profit before exceptional items to £5.77m (£8.17m).

Losses per share of 60.91p compared with earnings of 4.33p. With the final dividend omitted shareholders are left with a 0.77p for the year - for 1991 they received an interim of 0.77p and a final of 2.96p.

Dundas Hamilton: relatively modest level of gearing

Reflecting the continuing decline in property values net assets fell from £181.2m to £89.3m at the end of 1992. It was the third consecutive year that net assets had fallen. The worst affected part of the portfolio was development properties which again fell by 44 per cent, while the overall value of investment properties dropped by 21 per cent.

At the year-end net borrowings stood at £90.9m (£91.2m), representing gearing of 102 per cent. In December the group rearranged its principal borrowings with a syndicate of four banks. The new five year £85m facility, which is secured on some of the group's properties, replaced a £106m facility which was due to be repaid in June next year.

Commenting on the results Mr Dundas Hamilton, chairman, said: "1992 has been without doubt the most difficult year in the history of the company.

"The failure of others in the property sector has led the banks to apply increasingly stringent lending criteria. We are fortunate that the company entered the recession with a relatively modest level of gearing."

He added: "There is some evidence that the worst of the recession is over."

Thorntons drops to £7m

By Catherine Milton

LAUNCH COSTS for two lines of chocolates slimmed profit margins at Thorntons, the chocolate maker and retailer.

The shares fell 10p to 200p as the group announced pre-tax profits down 2 per cent, from £7.16m to £7.02m, for the half year to January 9.

Operating margins were eroded from 15 per cent to 14.1 per cent, mainly because of the launch of the Select range and the relaunch of the Continental products in the UK.

The group's UK retail operations achieved sales of £39.3m, up 9.6 per cent on the previous year. Mr John Thornton, chairman and chief executive, whose family owns 48 per cent of the shares, said profits were slightly under expectations.

In the four weeks to Christmas, UK retail sales grew 8.3 per cent on the previous year. The group said it was £750,000 short of stock.

The group's French subsidiary continued to make losses, although he said the full-year figure might be less than last year's £750,000 deficit, partly depending on currency fluctuations.

Sales in France rose to £5.3m (£4.6m). Interest payments increased to £650,000 (£478,000) with net borrowings at the half year of £4.8m. The group has suffered because of relatively high French interest rates. Thorntons has between £7m and £8m in French franc long term loans.

Capital spending increased to £5m (£3.7m). The group spent £1m on shops, opening 30 more outlets in the UK bringing the total to 442. It opened two more shops in France. The group spent £3.2m (£1.4m) on plant.

Earnings per share slipped to 7.38p (7.53p).

The interim dividend is maintained at 1.25p.

NEWS DIGEST

N Midland decline continues

PROFITS continued to decline at North Midland Construction last year. Following the halving of profits to £555,000 in 1991, the result came out at £159,000.

Turnover fell 25 per cent to £18.2m (£24.1m). Earnings per share were 1.3p (3.8p). A final dividend of 0.3p is recommended for a total of 0.6p (1p).

Kleinwort Develop net assets fall

Net asset value per share of Kleinwort Development Fund stood at 313.22p at January 31. That was a decline of 13.82p on the figure of 12 months earlier and 7.67p on the July 31 year-end value.

Earnings per share for the half year to end-January improved to 5.88p (5.02p) and the interim dividend is again 2.75p.

USDC lifts net asset value by 13%

USDC Investment Trust lifted net asset value from 192.1p to 216.4p per share, last year.

The trust, managed by GT Management, reported net revenue of £2.05m (£1.95m), equivalent to earnings of 5.59p (5.33p) per share. The recommended final dividend is held at 3.25p to bring the total for the year to 4.5p (4.25p).

Hambros Bank backs radio bid

Hambros Bank is backing a management-led bid for RFM, the French radio network which went into receivership following the collapse of Crown Communications.

The main contenders for the network are thought to be the management team led by Mr Andrew Manderstam, who has run RFM since Crown took over in 1989, and a consortium led by NRJ, a rival network.

Under the plan, which would involve financing of some £12m and an immediate injection of £1m, Hambros European Ventures Development would take 26 per cent of the equity. A media subsidiary of La Caisse de Depots, the French government investment bank, would take 20 per cent.

The magazine L'Evenement de Jeudi would also take 20 per cent and the staff would subscribe for a significant stake.

British Data £5.13m property buy

British Data Management is paying £5.13m for a 993 year unexpired leasehold interest in a property in east London.

About £2.01m of the consideration is being raised by the placing of 1m shares at 202p each.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price by Trading on [illegible] | Final Prices by Trading on [illegible]

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.86	18.40	18.40
[illegible]	[illegible]	[illegible]	22.12
[illegible]	[illegible]	[illegible]	24.02
[illegible]	[illegible]	[illegible]	33.95
[illegible]	[illegible]	[illegible]	22.85
[illegible]	[illegible]	[illegible]	22.85
[illegible]	[illegible]	[illegible]	18.40
[illegible]	[illegible]	[illegible]	17.81
[illegible]	[illegible]	[illegible]	17.58
[illegible]	[illegible]	[illegible]	17.66
[illegible]	[illegible]	[illegible]	18.08
[illegible]	[illegible]	[illegible]	18.08
[illegible]	[illegible]	[illegible]	18.21
[illegible]	[illegible]	[illegible]	23.09
[illegible]	[illegible]	[illegible]	23.34
[illegible]	[illegible]	[illegible]	23.74
[illegible]	[illegible]	[illegible]	23.86
[illegible]	[illegible]	[illegible]	28.86
[illegible]	[illegible]	[illegible]	28.45
[illegible]	[illegible]	[illegible]	28.43
[illegible]	[illegible]	[illegible]	28.44
[illegible]	[illegible]	[illegible]	23.84
[illegible]	[illegible]	[illegible]	23.84
[illegible]	[illegible]	[illegible]	23.84
[illegible]	[illegible]	[illegible]	23.84
[illegible]	[illegible]	[illegible]	23.84
[illegible]	[illegible]	[illegible]	23.85
[illegible]	[illegible]	[illegible]	19.29
[illegible]	[illegible]	[illegible]	19.18
[illegible]	[illegible]	[illegible]	19.10
[illegible]	[illegible]	[illegible]	19.26
[illegible]	[illegible]	[illegible]	19.25
[illegible]	[illegible]	[illegible]	24.18
[illegible]	[illegible]	[illegible]	28.69
[illegible]	[illegible]	[illegible]	28.79
[illegible]	[illegible]	[illegible]	28.79
[illegible]	[illegible]	[illegible]	28.67
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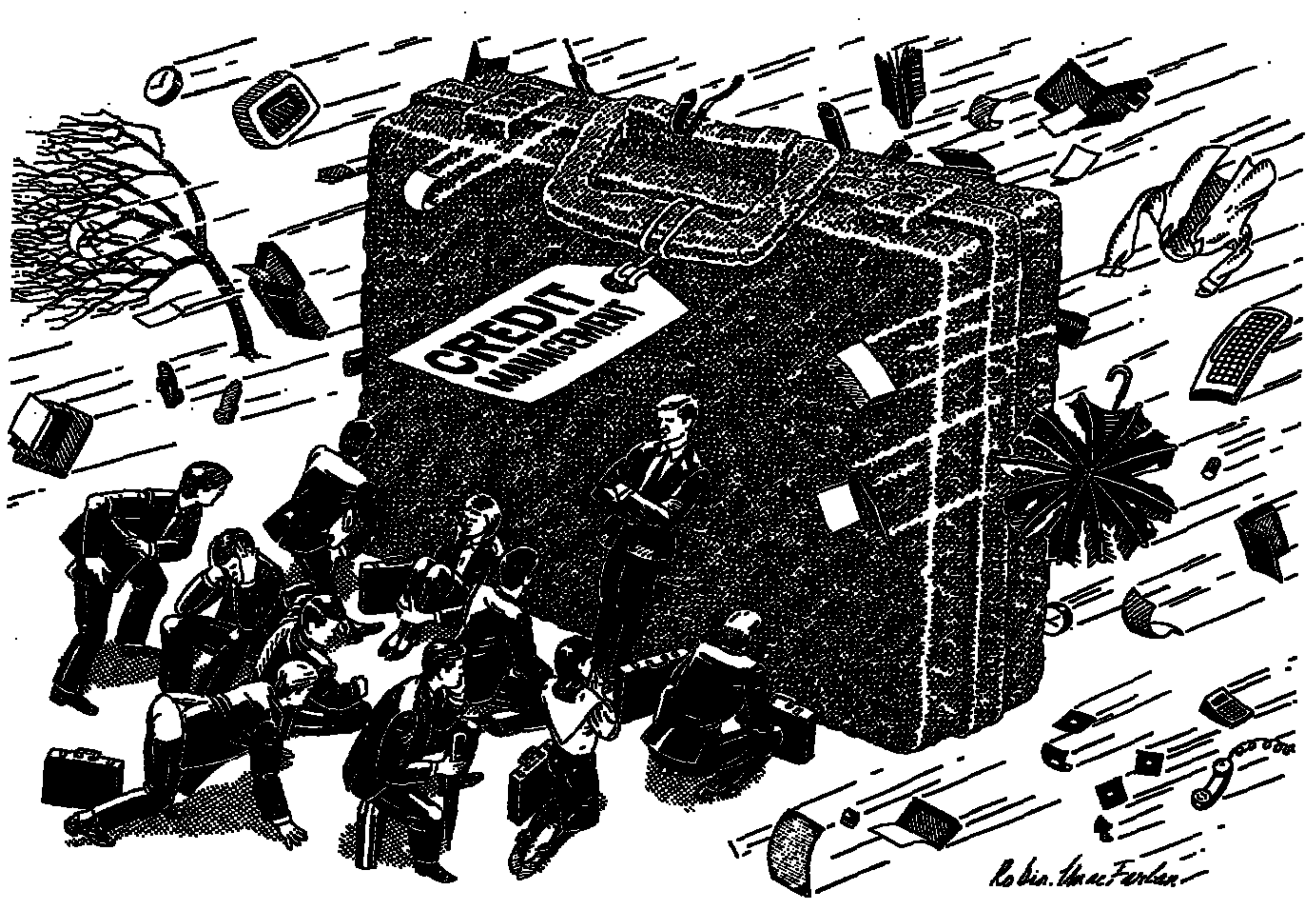
FINANCIAL TIMES SURVEY

CREDIT MANAGEMENT

Wednesday March 10 1993

The avalanche of bankruptcies, many caused by mismanaged cash flows, and the tenuous state of company finances have dramatised the need for better credit controls by borrowers and lenders. They have also fuelled demands for legislation to penalise late payers. Charles Batchelor reports



In the teeth of the gale

CREDIT management has traditionally been seen as an unglamorous, back-office job. While the sales team got the expense account lunches and the smart cars, the credit controller ate in the canteen and went home by bus.

Until the onset of the recession, that is. Spiralling failure rates, ever-lengthening payments delays and a crunch on company cash flows have brought home the importance of efficient credit management. Ineffective credit controls have meant that many otherwise viable businesses have gone to the wall.

The old excuses for not taking action to reduce credit risk have been discredited, says Ms Barbara Bennett, corporate affairs manager at Trade Indemnity, Britain's largest insurer of domestic trade credit.

Among the famous last words of doomed businessmen she lists: "All my clients are blue chip" and "I have known the company for 20 years. I was playing golf with the managing director only last week."

The credit management sector has two main elements: the in-house credit controller who attempts to ensure the company only does business with customers who can pay on time; and the external suppliers of credit services. These include the business information providers which credit rate companies, the factors, the credit insurance groups and the debt-collection agencies.

Companies in Britain employ about 80,000 credit controllers or managers, calculates Mr Peter Allen, chairman of the Institute of Credit Management. But there is often no career structure and their status in many companies is low.

"Many senior managers are reluctant to employ a specialist," says Mr Allen. "This is despite the fact that the person in charge of the debtor ledger typically is in charge of 40 per cent of the business's current assets, more than anyone else in the company apart from the managing director."

To boost standards the institute, which has 8,000 members, runs training programmes around the country and plans to move to a system of exam-only entry.

A more professional approach to credit management is the only way to improve the payments position of British companies, says Mr Peter Rowe, the institute's director general. The welter of proposals which have been made to ensure that companies, particularly small businesses, get paid on time will not solve the problem, he believes.

One proposal, so far rejected by the government, is for legislation to give companies a statutory right to interest on unpaid bills. This idea has the backing of the Forum of Private Business, a small business lobby group, Dun & Bradstreet, a business information group and Intrum Justitia, a debt collection agency.

But others, the institute included, believe it would be unduly complex to administer and unlikely to make a difference to companies which did not wish to offend their customers.

The government has responded by financing three pilot projects run by a chamber of commerce and two trade associations to establish "model" procedures for speeding up payments. It has also streamlined county court procedures for collecting debt. The improvements include dispensing with preliminary hearings in all but exceptional cases, allowing judges to help litigants who are not legally represented and requiring judges to explain their decisions orally.

Another move by government is to require large companies to declare in their annual report the time it takes them to pay their suppliers. The government has published a consultation paper aimed at finding the most acceptable method of providing this information. But many finance directors and accountants are sceptical that the numbers would be meaningful unless the average contractual payment terms agreed by individual companies and by the industry sector were also published.

A separate initiative has also been taken by the Confederation of British Industry. More than 400 CBI members have signed up to a register of companies which guarantee to make prompt payments. The code has been criticised as depending on the goodwill of participants and for lacking real teeth.

The institute, for its part, has suggested that payments performance should be one of the areas included in BS5750, the quality management standard which has been adopted by several thousand companies. But the government wants to see if other methods work first while the British Standards Institution is unwilling to add another element to its standard. A separate prompt payment kitemark might be the answer, says Mr Allen.

That some action needs to be taken is evident from the poor payments performance of British companies. UK suppliers normally quote payment terms of 30 days but wait 80 days to get paid, according to the British Association of Factors and Discounters. German and Dutch companies also normally quote 30-day terms but wait just 50 and 45 days for payment.

A recent survey by Trade Indemnity showed that of the 600 UK companies it contacted just 3 per cent had been paid on time. Large companies frequently pressurise small suppliers with the threat of losing all their business unless they agree to very disadvantageous payment terms.

Despite the fact, or perhaps because, the payments record of British companies is so poor, the UK has the most developed credit management industry in Europe. "We are ahead of continental Europe in terms of the amount of business information which is available and our expertise in assessing risk," says Mr Brian Bailey, managing director of UAPT-Infolink, a large provider of business and credit information.

Business information groups such as Dun & Bradstreet International, Infocheck, ICC and UAPT-Infolink provide a wide variety of credit assessment services in both hard copy and electronic form. A salesman can now call up credit information in his car before visiting a potential customer.

The factoring companies have been expanding their business in recent years and could benefit from the end of the present recession if the banks prove reluctant to provide conventional overdraft lending. The factors provide a range of services ranging from taking over the management of their client's sales ledger to simply providing cash against invoices. More than 9,000 companies with a combined turnover of £16bn make use of factoring or invoice discounting companies.

The domestic credit insurance industry has been dominated by one company, Trade Indemnity. But new competition in the form of NCM Credit Insurance, a Dutch group which acquired the short-term export credit insurance arm of the Export Credits Guarantee Department, has emerged. NCM claims a 5 per cent market share after its first year of operations against the 80 per cent held by Trade Indemnity.

These different sectors of the credit management industry make extensive use of each other's services. The factors offer credit insurance as an add-on to their core activities of managing sales ledgers and providing cash while the credit insurers and the factors make use of the business information groups.

Many of these groups have also diversified into related fields of business. Dun & Bradstreet and UAPT-Infolink both have debt-collection operations. Trade Indemnity has a half-share in a factoring company, Trade Indemnity-Heller Commercial Finance, while Infocheck has developed a credit insurance service and also linked up with International Factors to provide factoring and invoice discounting.

"Businesses have become aware that they can substitute one service for another," says Mr Bruno Tavernier, a director of ICC. "There is more competition between the different parts of the credit management industry."

But before they make use of outside services such as these, managers must ensure that their internal credit controls are good. "People don't help themselves," comments Mr Philip Mellor, marketing manager of Dun & Bradstreet. "They don't agree terms in advance or call to check that the goods delivered were satisfactory."

Three years into a recession the credit specialists still find alarming examples of poor credit management. Says one: "If people put as much professionalism into credit management as they do into sales they would be much better off."

IN THIS SURVEY

Credit rating is an industry in its own right, says **Charles Batchelor**

Know your customer

THE business information market has expanded significantly over the past decade. New players have emerged to challenge the old-established groups and the demand for ever-faster credit decisions has both pushed and been pushed by rapid technological change.

At the same time, only a tiny percentage of commercial sales decisions are taken on the basis of information provided by an outside credit rating agency. The challenge for the industry is two-fold: to convince more businesses of the need for properly informed sales decisions and to refine the technology to make this possible.

"Credit vetting should start at the sales stage," says Mr Philip Mellor, marketing manager of Dun & Bradstreet International (D&B), which claims to be the largest provider of business information in the UK. "The sales force will become disillusioned if it takes an order which is not accepted by the credit control department. Consider that the average cost of a sales call is £150."

"A credit control policy should enable the sales people to concentrate on customers who will be the most profitable," says Mr Brian Bailey, managing director of UAPT-Infolink. "Yet often this is hampered by a conflict between the sales director and the finance director."

If these barriers can be broken down the potential for the business information providers is enormous. Only one in 15 commercial sales decisions is taken with help of "third party" information, calculates Mr Mellor. Mr Bailey puts the figure at "a few percent".

The reason for this reluctance may lie in the availability of business information in the UK from one central source, Companies House. Compare this with continental Europe where company information is often lodged with local chambers of commerce or even the US, where relatively few companies - 17,000 against 900,000 in the UK - are required to file returns.

Business investigation is a growing activity, but it still influences very few commercial sales

But the value of this information may be more apparent than real, the business information groups claim. Companies House data can be up to 15 months out of date. In boom times, let alone a recession, this delay can conceal payment problems at a company.

Fortunately for the credit rating industry demand for credit information comes not just from the corporate end-user but from a host of intermediaries, financial groups such as finance and leasing companies, factors and the credit insurers. Although they collect a great deal of information themselves they provide a ready market for the services of the information companies.

The task for the information provider is to collect the published information available - company reports, county court judgments, directors' disqualifications - and to supplement this with unpublished information on the past payments performance of companies and individuals. Where the information companies add value is in bringing this disparate information together in a single credit report and, even more important, interpreting it for their customers.

It has been in the market for consumer information where the most rapid growth occurred during the 1980s. Increasing affluence led to a rise in the purchase, on credit, of expensive consumer durables such as video players, cars and boats. At the same time the deregulation of financial markets meant that many more financial products, also involving long-term financial commitments on the part of the purchaser, became available.

Unlike the commercial sector there was often very little information available on the ability of the private individual to meet his credit commitments. And whereas a supplier could take security on the assets of a company or the personal assets of its directors there was less security available when granting credit to a private individual.

Some of the information providers have their origins in serving the consumer market, providing information to mail order houses, for example, while others come from a commercial background. As time has gone by commercial pressures have forced the larger groups to provide both sorts of information, either by collecting it themselves or by establishing links with companies which could fill the gaps in their portfolio.

There are considerable benefits from being able to provide both commercial and consumer information, says UAPT-Infolink's Mr Bailey. "With new companies which do not have a trading record it is important to be able to flip over into our personal database with information on directors." UAPT-Infolink claims to be the oldest UK credit information organisation, tracing its origins back to 1842 and the foundation of the London Association for the Protection of Trade, a mutual association of traders to exchange information about their customers. Amalgamations turned the London association into a united association or UAPT in 1965.

The other main players in the business information market have also broadened their scope. D&B has established links with Equifax Europe (UK), a consumer information group, while CCN which started out providing consumer information, now offers commercial information services. ICC Information Group specialised at an early stage in the financial analysis of companies and industry sectors and still provides a range of City-oriented services but it too offers credit checking information.

The information collected by these organisations is available in many forms, in hard copy, print, by post, telephone, fax, viewdata or computer link-up. Increasingly information is required immediately to permit a sales decision, so on-line services have grown in importance.

Customers with a heavy demand for information may take out a subscription while those with only intermittent need for information may buy one-off reports. Some customers may require a detailed financial report while others may make do with a quick credit assessment. "We have a modular system which allows us to carry out checks to different levels of detail depending on the risk," says Mr Kevin Still, marketing manager of UAPT-Infolink.

Some of the information groups provide a written summary of the company being assessed while others have devised short-hand codes to convey a credit rating.

The result of all this work on compilation and analysis has been to make information much more readily available to a broad range of users. "The small firm can now exploit information which would have only been available to the bigger company 10 years ago," says Mr Bruno Tavernier, a director of ICC.

BORROWING dulls the edge of husbandry, and lending is fraught with risk too. But Polonius was only half right when he warned against both.

Good credit management is about following rules. It is not expensive or complicated. Nor should it stifle a company's wish to be creative and flexible, within limits. It can allow a company to borrow and lend, oil the wheels of the business, and emerge unscathed.

Striking a balance might seem hard: go easy on creditors and you could be taken for a mug. Hire a couple of heavies to pick up a debt, and you may lose a valued customer. Pay your bills late too often and you will get a bad name, and risk losing discounts and after sales service.

Essentials for a credit manager are persuasion skills and brinkmanship, says Mr Burt Edwards, fellow of the Institute of Credit Management. You must press for payment according to agreed terms, but must back off if there is a genuine dispute

If you are about to start up, seek expert advice on the law and best trade practice. But there are rules any company can follow to improve internal procedures.

The Confederation of British Industry offers the following guidelines to improve credit management:

● have a written contract, stating your terms and conditions. In particular, it should give clear terms of payment, agreed and understood before you trade. Payment periods should be compatible with cashflow.

● check creditworthiness. Limit risk by running a customer through credit rating agencies. "No-one in their right mind would buy a house without a survey," says Dr Ian Peters, a CBI deputy director.

● personal contacts. Get to know the people in the accounts or sales departments. Know who to speak to if payment or delivery is late.

● employ someone solely responsible for credit management. "It is the Cinderella of small business management," says Dr Peters. "Yet it can make or break a company. It is at the heart of business survival but it is often seen as a clerk's job."

● set down a time limit for payment beyond which you cannot go. If a buyer wants terms which your company cannot finance, say No. "A good manager knows how far the company can go in being flexible," says Dr Peters. "But it is important to set out the parameters."

● have a clear and consistent system for chasing payment. It might go like this: a reminder is sent out, automatically, the day after a payment date has passed. Further written reminders may follow although it is probably better to get on the phone if no payment is made after repeated reminders. Telephone the company or go in person. If payment is still not made, it may then be appropriate to send a solicitor's letter, threatening court action. Do not be reluctant about recourse to the law, but use your judgment on when it is appropriate.

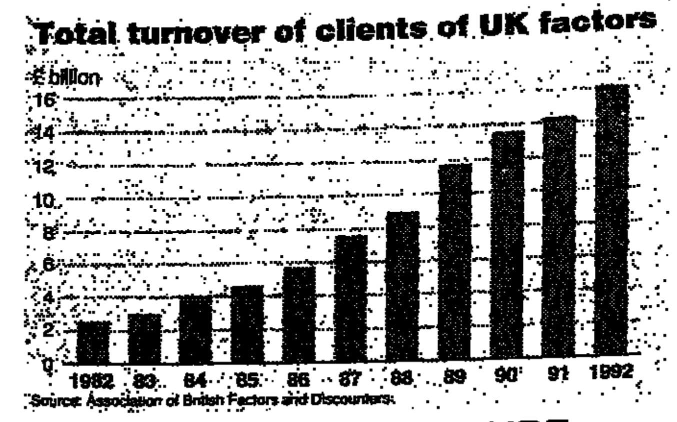
● procedures between customers and suppliers should be compatible. Most large companies use a computer system and standard invoices. Quote reference and order numbers. Get the numbers right, address invoices correctly and send them to the right person.

A company might benefit from handing over credit management to someone else, such as a factor. "This can speed up payment and provide security," says Dr Peters. But you should consider the cost and whether it is appropriate. "If your supply network is straightforward you probably don't need one, but you might if you're in a tricky area. The cost of factoring could be a price worth paying for peace of mind."

Much depends on consistency, thoroughness and an understanding of when to be flexible. Beyond this, you should know something about business law.

Few companies bother to draw up detailed terms and conditions, fewer still read them, but they can put you ahead of the game.

Total turnover of clients of UK factors



Source: Association of British Factors and Discounters

GUIDE TO PROCEDURE

Brinkmanship is not enough

First, ensure that *your* terms and conditions apply, says Mr Simon Rawlins of London solicitors Baileys Shaw & Gillett.

Terms and conditions must be incorporated into the contract at the outset when agreeing an order, otherwise you will be unable to make any of your terms stick in a dispute. If you are agreeing a deal by telephone, specifically mention that the contract is subject to your terms. Confirm this by sending an acknowledgement of the order with your terms on the back.

A few well-chosen clauses could help to improve your legal position. Mr Rawlins suggests the following:

● retention of title. This means the seller retains legal ownership of the goods until they are paid for. It will help get your goods back if a customer goes into receivership.

● limit your liability. In the unlikely event of your goods proving to be defective, your liability should not be open-ended.

● allow flexibility in your delivery dates. A clause could set out, for example, that you are entitled to deliver on the agreed date, *or in seven days.*

● interest provision. Include a charge for interest on late payment. "It is worth having the option to charge interest even if you do not always use it," says Mr Rawlins.

Mr Rawlins's final tip on legal protection: keep written notes of all stages of a contract, including phone conversations. "Courts like pieces of paper. If a dispute arises, a court will want to know whether there is any evidence in writing which you can point to to support your case. If you do, you have a much greater chance of judgment in your favour." And it could greatly speed settlement.

"It is getting the simple things right every time," says Mr Rawlins. "Have a credit policy, have a set of terms and conditions, know when and how to incorporate them into a contract and ducument your transactions as well as possible. Beyond that, everything else is a commercial risk, but getting all that right will keep the risk to acceptable levels."

□ *Further information: Local Enterprise Agencies or Chambers of Commerce; Institute of Credit Management, Easton House, Easton on the Hill, Stamford, Lincolnshire, PE9 3NH; Confederation of British Industry, Centre Point, 103 New Oxford Street, London, WC1A 1DU.*

Sheila Jones

Andrew Jack examines the changing role of Companies House

Where the whip is cracked

ON THE last Friday in January this year, Companies House, the government's corporate information agency, had a bumper delivery of mail: the equivalent of nine normal days' worth. On Saturday it had two days' deliveries. On Sunday, couriers brought another four sacks.

A few months ago, such enthusiasm would have been implausible. But the timing marked the end of the period in which accounts from the many companies incorporated in March are required to be filed. More important, it was just half a year since the agency launched its crackdown on companies failing to make their filings within the legal timescale.

That is just one example of how Companies House has begun to change, from a statutory nuisance which was largely ignored into an aggressive, commercially-oriented agency being used increasingly by businesses and individuals seeking a growing range of corporate information.

One accountant who files hundreds of company accounts each year says the change has been enormous. "You could get away with murder in the past," he says. "You felt unlucky if they traced you for not filing on time. We used all the old excuses which allowed us to stall for months on end, saying the director was out of the country and that we couldn't get a signature."

Many companies were reluctant to file, since they did not want people to be aware of their financial position. Others simply did not give priority to completing the accounts of many of their subsidiaries. Whatever the excuse, those that are tardy now face substantial fines and even the prospect of a criminal record if they do not comply.

What was once only a statutory nuisance is becoming an aggressive, commercial agency

The new regime has not been introduced without difficulties. In the latest of a long line of complainants, the president of the Institute of Chartered Accountants in England and Wales wrote to the Prime Minister earlier this year concerning the pedantic interpretation of the time limit for filing - which is seven months for public companies and 10 months for others. If a private company's year-end is February 28, for instance, it must file by December 28 that year, not December 31.

But Mr David Durham, the agency's chief executive, is unrepentant. "There are people who if you give them an inch will take a foot," he says. "You may say it's bureaucratic, but this way everyone has a very clear mandate to work to." The new approach has certainly been impressive. He says that 82 per cent of accounts and annual returns are now made on time, against 68 per cent a year ago and 40 per cent in the mid 1980s. For accounts alone, timely returns are now running at 91 per cent.

The mere fact that these performance figures are available so readily indicates something of the changes taking place. "It used to be that if I had a query and called up three people at Companies House, I got three different answers," says one large user. "Now we are seeing the sort of service the public should be entitled to."

That partly reflects the greater autonomy now placed on officials at the agency, based in Cardiff. Formally it is still part of the Department of Trade and Industry. But it became the second executive agency under the government's *Next Steps* initiative in 1988. In 1991, it became a trading agency, giving it even greater managerial and financial independence and effective ownership of its assets.

Mr Durham's comments are peppered with concerns to provide what the consumer wants. There is an emphasis on user groups and new publications. A few years ago, users of company information had to present themselves physically at the offices to obtain data. Now they can order fiches by phone, get some information by computer and even have searches faxed to them at a premium rate.

Substantial further change is still in the offing. This summer should bring the introduction of two new services: a computerised directors' register - accessible by name rather than simply by company - and a mortgage register, both priced at below the standard £3 basic company search fee.

In the longer-term, there are proposals for electronic filing of company returns. Wider requests under consideration include access to information by VAT numbers.

But a dark cloud of uncertainty also hangs over the future of the service, which is making future planning extremely difficult. Mr Michael Heseltine, the trade and industry secretary, announced a review of Companies House last summer which could lead to full or partial privatisation.

The conclusions are expected soon, and will be watched very closely. Staff are worried about their jobs, and senior managers about their roles and responsibilities. Rival company agents who process Companies House information are concerned about fair competition. Many users question the role of the private sector in collecting and storing statutory information.

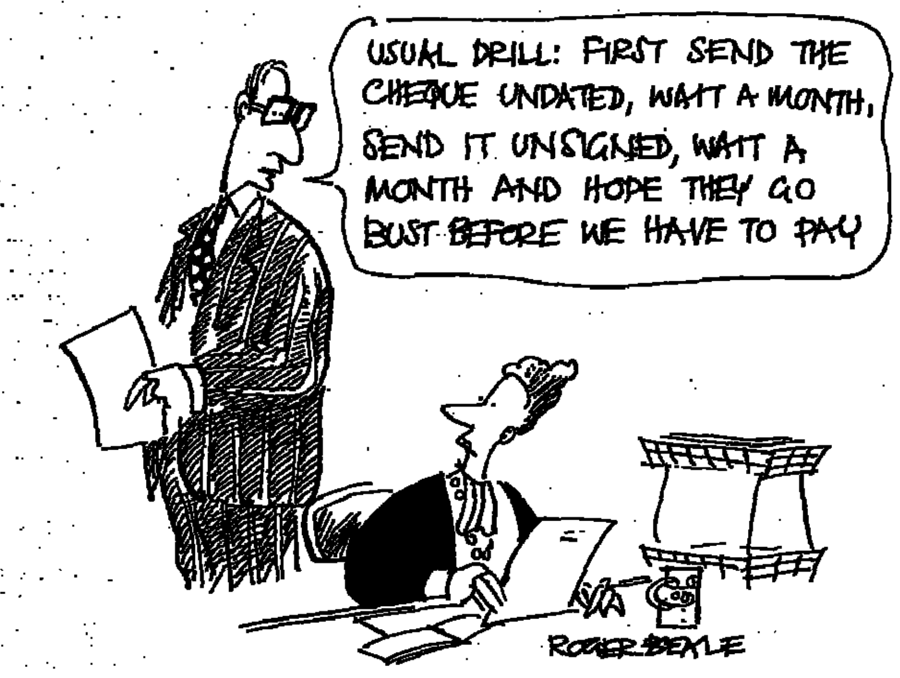
Meanwhile, users continue to express some disappointment about aspects of the service. Not least among their gripes is the recent decision to cancel a huge computerisation project which would have permitted far quicker capture and recovery of information, and might have allowed documents to be electronically read.

They also say that insufficient scrutiny goes into the filing of returns, so that many have omissions such as failing to show the registered office or the names and addresses of all directors.

More generally, Companies House sees its role as essentially clerical: to receive, store and retrieve basic corporate information, while examining for only the most cursory mistakes. No one in Cardiff, nor in the Department of Trade and Industry in London, seems to look at accounts in detail to ensure compliance with accounting standards or wider regulatory issues, or to investigate concerns highlighted in auditors' reports.

That said, David Durham argues that the UK still provides one of the most efficient sources of company information in Europe.

CREDIT MANAGEMENT 3



FACTORS AND DISCOUNTERS

Fingers on the pulse

THE factors and invoice discounters believe that the economic upturn, when it comes, will be their golden opportunity for growth. Not just because increased economic activity will boost business but because the banks, chastened by their losses during the recession, will be very cautious with their lending.

The factors, too, have had to absorb losses. But because they monitor their clients' performance far more closely than the bank manager does his, they are in a better position to spot when a company is running into trouble.

The factors themselves have been advancing this argument for many years but there are now signs that the banks, which own most of the larger factoring companies, are realising this too. In an appeal for closer cooperation between the banks, government and small business launched last month, Mr Brian Pearse, chief executive of Midland Bank, suggested that the banks should widen their use of factoring and invoice discounting to help businesses recover from the recession.

Although the banks own most of the large factoring companies, the relationship between the main branch networks and the factoring divisions has been uneasy. Many bank managers have regarded factoring as only suitable for their less creditworthy customers. The factors for their part have welcomed business which came to them by means of the branch network but have been reluctant to become too dependent on it.

Factoring involves a company handing over the management of its sales ledger to the factor in return for an immediate advance of up to 80 per cent of the value of its invoices. This represents a far more generous valuation of trade debts than the 35-50 per cent most bank managers would allow and can lead to a dramatic improvement in the company's cash flow. The factor monitors when his client's customers settle their bills and can warn of impending difficulties.

Factoring is typically used by the smaller company which has not yet developed a sophisticated system of managing its sales ledger. For the larger company, with more highly developed credit management system, invoice discounting is more appropriate. The invoice discounter provides cash against invoices but the client retains control of his sales ledger.

Factors also absorb losses but are able to anticipate them

Although concrete proof of the upturn has yet to come through there are already signs of an increase in factoring volumes. Sales financed by the UK's 11 largest factors rose by 13 per cent to £16bn in 1992 compared with a rise of only 2.5 per cent the year before, according to the Association of British Factors and Discounters (ABFD). The number of companies using factoring increased by 7 per cent to 9,221.

"We must be the only business financing sector which can point to growth," comments Mr Alan Hughes, chairman of the ABFD and managing director of Griffin Factors (part of Midland Bank).

Domestic factoring rose by 8 per cent to £5.6bn while invoice discounting increased by double that rate to £9.7bn. In spite of the imminent creation of the single European market and publicity given to the importance of overseas trade, import and export factoring continued to be the laggard of the industry, rising just 7 per cent to £643m. An encouraging development was a 1 per cent fall in bad debts absorbed by UK factors to £13.1m – the first drop in six years.

One niche where factoring has established itself is in the financing of management buyouts and venture capital deals. More than 10 per cent of the £3bn of finance advanced by factors and invoice discounters over the past two years has been linked to venture capital transactions, the ABFD calculates.

Increased enthusiasm on the part of senior bankers for factoring and the effects of an intensive marketing campaign over the past four years by the industry may succeed in breaking down residual resistance to it as a method of finance.

For some business owners and managers, factoring retains an image as being a slightly unsavoury form of finance suitable only for companies about to fold. Even ownership of the main factors by the banks has not succeeded entirely in erasing this impression, which dates from irresponsible factoring activities as far back as the 1960s.

The number of companies using factors is steadily growing

A continuing problem for the industry is a perception among many businesses that it is an expensive way of raising money. Apart from typically paying 3 per cent above bank base rate for the cash provided against invoices, a company would also pay between 0.75 and 3 per cent of turnover for the factoring service. Invoice discounting, which does not involve so much work on the part of the factor/invoice discounter, can cost between 0.1 and 1 per cent of turnover.

For companies working on very narrow margins the cost of the service could prove a deterrent. For others, the factors argue, the savings achieved on the cost of running a sales ledger department and from being paid more promptly, more than outweigh the costs.

Now that all the large UK banks have their factoring arms there has been little change among the bigger players over the past year or so. Lloyds Bank has two separate factoring divisions, Alex Lawrie and International Factors. Barclays has Barclays Commercial Services, National Westminster has Lombard NatWest Commercial Services while Midland has Griffin.

The past year has seen some changes among the smaller players, however. AIB Commercial Finance, part of the Irish AIB banking group, withdrew from invoice discounting at the end of 1992 after failing to achieve the scale of business it had hoped for. Kellock, a Bank of Scotland subsidiary, took on the continuing business in AIB's portfolio.

Venture Factors, which had been owned by the United Bank of Kuwait, was acquired in mid-1992 by IFN Factors, part of the Dutch ABN Amro Bank group. This made it the second Dutch-owned factor/invoice discounter in the UK alongside De Lage Landen, which is owned by Rabobank. Venture Factors plans to concentrate on providing invoice discounting to the UK subsidiaries of continental European companies, says Mr Tony Cox, managing director.

A third development in the industry was the expansion of Causeway Invoice Discounting into factoring through the purchase of Finance for Business (Europe), a private company owned by a group of individual investors in the north west of England. "By offering only invoice discounting we were precluded from doing business with quite a lot of companies which were fundable but where the administration and sales ledger management left something to be desired," says Mr Brian Sumner, managing director.

Causeway's move represents an intriguing development following several years in which invoice discounting has been the fastest growth sector.

Charles Batchelor

Catherine Milton hears about the travails of a private mortgage company

From the depths of the slump

MR RICHARD ANDERSON is head of underwriting at the Household Mortgage Corporation, the privately-owned residential mortgage company. During 1990 he regularly consulted a "knowledge" engineer about his job.

He was not suffering from brain strain. The discussions he had were part of the company's attempt to speed up its underwriting but maintain consistency through automation.

The company, which is roughly the same size (in terms of assets) as the Chelsea Building Society, 12th or 13th largest in the UK, has traded through the housing slump, serving about 35,000 customers with about £2bn worth of business on its books.

HMC last year announced bad debt provisions of £4.16m for the year to end-March 1991, sharply up from £2.2m the previous year. This was relatively modest compared with other lenders. Its pre-tax profits had more than doubled in the year to March 1991 from £2.21m to £5.16m.

The company says it identified four priorities in the 1980s as the need to maintain:

- the quality of its loan book in a difficult market;
- protection against fraud through scrutiny of applications;
- fast turnaround of mortgage applications – generally within 24 hours;
- current staff levels to handle a larger volume of applications when the market recovers.

Automation seemed the logical route. HMC turned to Infolink Decision Services, one of the UK's four main suppliers and designers of credit scoring systems.

A report into credit scoring published last year by the Office of Fair Trading found that the number of lenders using some form of credit scoring system in the UK has grown recently.

The OFT said: "Credit scoring is now an established and integral part of the procedures of much of the credit industry. Credit scoring is used extensively by many if not all the major lenders in banks, credit and charge card issuers, finance houses, building societies, retailers, mail order companies and direct selling companies as well as other lenders."

Mr Anderson says: "We wanted the computer to do what underwriters have always done manually. For example, we wanted it to check the distance between a person's place of work and the property. There may be a very good reason why someone who gives a work address in the North of Scotland is buying in the South East of England, but it is unusual."

The company believed a computer could reach a level of consistency in underwriting which would normally take the combined efforts of several people to achieve.

The computer would also leave underwriters free to attend to less straightforward applications where judgment is important.

This consistency is a main element in detecting fraud, but the system is also designed to deter fraudsters. Mr Anderson says: "There is a certain amount of shouting-from-the-tree-tops. We want people who are considering these kinds of frauds to know that their chances of success at HMC are slim."

Credit scoring is established practice among banks, credit and charge card issuers

But HMC wanted a system capable of producing a report which would allow underwriters to see clearly how the computer had arrived at its conclusion and investigate as appropriate rather than simply scoring applications.

It was at this point that Infolink sent in the knowledge engineer. This was to try and identify the values behind HMC's underwriting decisions.

Mr Anderson says: "The psychologist was sent in to try and understand the way we underwrite. We will deal with a loan application and we will look at certain facets of that application. "We had to give examples of what we would and would not accept and the relative importance of different factors in that decision." Infolink studied the risk weighting HMC gave factors such as income, age and employment history, for each particular product. It also looked at cases which had been declined and the performance of those which had been accepted.

Today, as each application form arrives at HMC, the operator will type in the name and address, which triggers a credit reference request. By the time the operator has finished inputting details, the credit reference will have been returned and will be weighted. An assessment breakdown form – based on the scrutiny of more than 100 factors – is then produced for underwriters to check.

The procedure usually takes about 10 minutes. The old manual system took an average of two hours assuming no distractions from colleagues or telephone calls.

Mr Anderson insists that the system has no flaws, although he admits to having dotted a few i's and crossed a few t's in the early stages after installation. The company is equally silent about the cost of the system. The OFT described cost of such systems as "substantial" and requiring a volume of business for the increased efficiency generated by its use to offset the cost within the life of the system.

Mr Anderson said: "You are not talking about a £10,000 system. But it has already picked up a couple of cases of what we believe to be attempted fraud."

The company is also anxious to stamp on the idea that automation could lead to job losses. HMC has not reduced staff numbers since installation of the system, although some staff have been moved into customer services, to deal with the darker side of HMC's credit management – arrears management.

Mr Geoff Wagland, HMC's corporate affairs manager, says arrears management is one area in which computers are unlikely to make much of an increased contribution: "This is where the customer services element really comes into its own. This is where you need people, although computers can help."

All mortgage repayments are made to HMC by direct debit and the company will let customers know the debit has not been honoured before their bank does: "We will get on to a customer in difficulties very, very quickly so as to work out a solution that works for both parties."

He says: "If you have got it right in the first instance then customers don't get into difficulties without a good reason." That is why his company puts such emphasis on underwriting quality and its computerised credit system.

Slower payment is adding to industry's heavy burden, says **Tim Dickson**

A pernicious symptom of recession

ONE man's meat is another man's poison. Directors of big, publicly quoted companies might reflect on this if they boast about their cash management achievements during the current financial reporting season.

Reduced working capital is achievable in a number of ways including better stock control. But as every company accounts department knows, one of the crudest, if most effective, methods is to chase up customer debtors and keep supplier creditors at bay.

The problem of late payment always surfaces during a recession – when money is tight and banks are twitchy – and the economic downturn of the early 1990s has been no exception.

All companies suffer but small businesses with limited resources definitely bear the brunt. Legislation is planned which will force businesses of a certain size to state publicly in their annual accounts how long it takes them to pay their bills. But there are growing calls for tougher action, including compulsory financial penalties for offenders.

All the recent evidence suggests that the recession is lengthening payment delays. The Association of British Factors and Discounters says that the time taken for European companies to pay their debts increased on average by one third in 1992. Even in Germany, payment periods have widened from 30 to around 50 days.

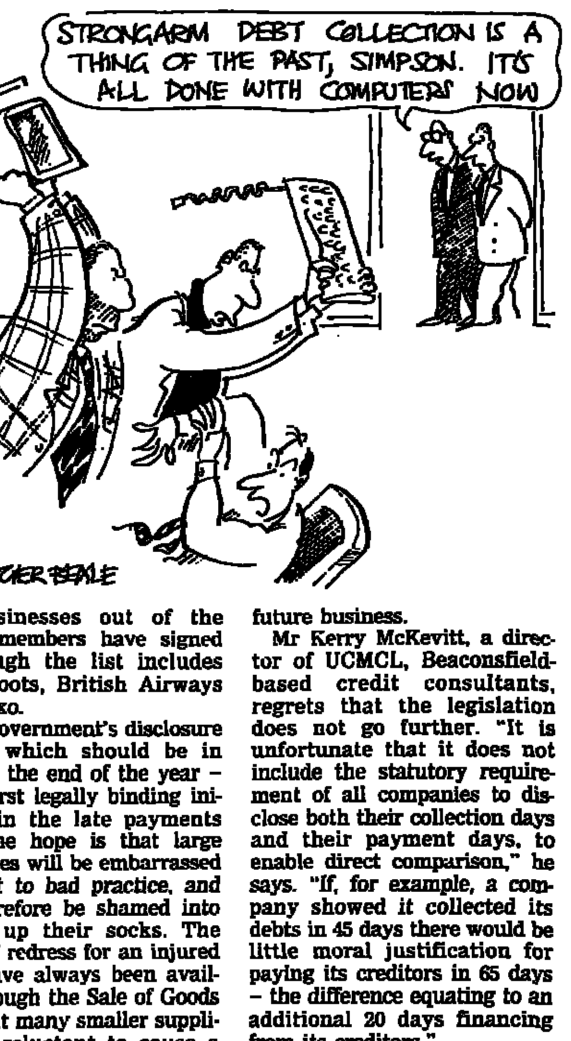
Trade Indemnity, the UK credit insurer, showed in a survey published last month that only 3 per cent of 600 companies polled in December were being paid on time.

The additional cost of interest on borrowed money (or loss of interest for companies in the black) obviously feeds through to lower trading margins. Creditors without a formal funding facility, of course, will suffer bigger penalties so that profitable companies can run into serious cash flow difficulties.

On top of this the cost of systems and resources allocated to address overdue debt should not be forgotten; nor can the VAT effects of late payment be overlooked. Businesses are often paying output VAT before the money has been received from customers, thus leading to a further cost of/loss of interest.

All in all late payment could amount to 3 to 5 per cent of operating costs – a significant number in today's tough market conditions. German experience may indeed be worsening – but given that the annual average payment delay in the UK is more like 78 days what is happening elsewhere is of more than academic interest. The average collection period in the US is 54 days.

The Deparment of Trade and Industry has issued a payments procedure. And the Confederation of British Industry, which says that late payment threatens the survival of one in five of its members, has a "prompt payers" code. Only 400 businesses out of the 250,000 members have signed up though the list includes Esso, Boots, British Airways and Glaxo.



The Government's disclosure plan – which should be in force by the end of the year – is the first legally binding initiative in the late payments area. The hope is that large companies will be embarrassed to admit to bad practice, and will therefore be shamed into pulling up their socks. The rights of redress for an injured party have always been available through the Sale of Goods Act – but many smaller suppliers are reluctant to cause a fuss for fear of losing out on future business.

Mr Kerry McKevitt, a director of UCMCL, Beaconsfield-based credit consultants, regrets that the legislation does not go further. "It is unfortunate that it does not include the statutory requirement of all companies to disclose both their collection days and their payment days, to enable direct comparison," he says. "If, for example, a company showed it collected its debts in 45 days there would be little moral justification for paying its creditors in 65 days – the difference equating to an additional 20 days financing from its creditors."

Many small business lobbyists – such as the Forum for Private Business – believe there should be a statutory right to interest on overdue payments. All EC member states – except Britain and Ireland – have such a legal right but according to the European Commission there is no conclusive evidence that this improves the situation.

McKevitt suggests that rather than compulsorily debiting offending companies it may be better for the interest at least to be separately accounted for by businesses. This would provide the DTI with evidence of the cost and effect of late payment to industry – and enable the Department to take better remedial action in future.

McKevitt acknowledges the administrative complexities of such schemes, but he claims the introduction of statutory interest in Germany has been beneficial for investment.

The idea of a prompt payment standard – or kitemark – has recently been floated by the Institute of Credit Management which has approached both the British Standards Institution and the government for a response.

The institute's original plan was for a prompt payment clause to be added to BS5750, a quality management standard which has won widespread acceptance. But this was rejected by the BSI.

The proposed kitemark would commit companies to paying their bills by the date stipulated in the agreed terms.

Andrew Jack on debt-chasers' image problem

Rat-catcher syndrome

TIMES MAY be tough for companies and individuals who owe money, but the debt collection industry claims that they are no more pleasant for it either as a result of the UK's prolonged recession.

"We had a record year," says Mr David Baber, chairman and managing director of Credit Protection Association. Turnover in 1992 was up 40 per cent to £7m, and profits stood at £3.2m.

Intrum Justitia, the Swedish-based debt collection group which claims to be the biggest in Europe and possibly the world, says profits rose by more than a third last year to £11.6m, on turnover up by nearly a half to £75m.

Mr Baber says that his company has more than 4,000 regular customers on its books seeking to recover unpaid bills, and a further 6,000 who pay on an ad hoc basis. "On any day we could be sending out 1,500 letters," he says. "We have about 2,000 cases at some stage of legal action with a solicitor retained."

Yet the industry claims that the recession has not been good news. "There's a lot less meat on the bone," says Mr Larry Lewis, chairman and joint managing director of the Lewis Group. "We have to work harder in a recession." That is in spite of his company's 1992 increase in profits to £720,000 from £243,000 in the previous year.

The argument is that both consumers and companies have become much more reluctant to pay their debts during the recession. Consumer spending has declined in response to the downturn, reducing the size of the market.

At the same time, companies which are owed money have increasingly brought their debt recovery work in-house rather than contracting it out. They have turned to other solutions to outstanding debts such as factoring. There has also been a sharp increase in competition.

Traditionally, solicitors did not want to be associated with debt recovery. Now, some argue, the collapse of the conveyancing monopoly and of the housing market has forced firms to turn to new areas. They have been aided by new computer systems and the relaxation of restrictions of advertising. Indeed, one recent survey showed that lawyers accounted for four-fifths of the advertisements in a trade journal for debt collection services.

The hard-nosed attitudes and the stigmatised image of the industry remain. Call many of the UK's debt collection groups and it is difficult to get past the tenacious operator who answers the phone, let alone get through to speak to the managing director.

"The general reputation in the UK is appalling," says Mr Jan Erik Paulden, group communications manager at Intrum Justitia. "You only have to go to a party and tell people what you do and see the reaction."

The negative attitudes are partly a function of the many hundreds of localised door-to-door collectors around the country, who are often paid on commission and may apply less than scrupulous methods to help aid recoveries.

There are many hundreds of door-to-door collectors operating around the country on commission

There are also the scare stories of knee-cappers with even more ruthless means. "Some probably does go on," says Mr Baber. "Some very large people certainly come round to our offices from time to time offering their services."

New causes for concern include access to sensitive personal data, which the collectors can use to make assessments of individuals' and companies' ability to pay.

Generally, the negativity relates to the perceived profits derived from an unpleasant act, of course. Mr Mike Scully, secretary of the Credit Services Association, says: "There is still this negative image. There are people on the fringes but this is quite a sophisticated business. I think we are necessary – evil is too strong a word – but we are necessary, like rat catchers. We are really like doctors faced with the plague. You can't cure all the patients."

Mr Scully says that his association does have the power to dismiss or reprimand members, although it has never done so. He says he receives about two to three calls of complaint a month, many of which are trivial and many which refer to allegations against firms which are not members.

Intrum would like to see more government-inspired regulation of the industry. It helped support the association, and has its own strict code of ethics. It has also embarked on an ambitious marketing campaign with the themes of prompt payment and civility, using the slogan "Pay fair ... please." In common with a number of the larger agencies, many of its staff are women, who are seen to be less confrontational.

One of practitioners' biggest gripes is the slowness of the county court system for pursuing actions to recover debt. That helps explain why it is negotiating with the Lord Chancellor's Office for its members to be able to represent clients directly in court.

The structure and future shape of debt collection is changing fast. Mr Lewis points particularly to the expanding use of technology. His company is about to begin using sophisticated "predictive dialling" equipment. This automatically makes telephone calls to those being pursued, and filters out those whose numbers are unobtainable.

He says that leaves his staff far more time to speak to those who are contactable, and estimates that it helps increase the response rate from six to nine calls an hour up to about 35.

Computer equipment is also boosting the ease of issuing summonses through the courts.

Now more advanced software is helping in a wide variety of ways including credit-rating, gathering information and tracking down people and companies. Clients are able to shift bulk bad debt information rapidly and directly between their own computers and those of the debt collection agencies.

Meanwhile, the debt recoverers are increasingly trying to encourage clients to employ them at an earlier stage. That has substantial cash flow advantages and offers a more regular all-in fee rather than a commission-based structure.

TRADE CREDIT INSURANCE (1992 %)

Market Shares	Domestic	Export	Total
NCM Credit	2	70	23
Trade Indemnity	82	20	63
ECGD		10	3
Panfinancial	9		6
Namur	7		5
Total	100	100	100
Size of Market	£140m	£85m	£225m

Source: Datamonitor Research

INSURANCE PROTECTION

It began with a man called Cuthbert

IN THE rapids of risk management, domestic credit insurance has been a somewhat forgotten tributary, quietly providing some traders with cover against losses due to insolvency or protracted default by the buyers of their goods.

Credit insurance was invented at the turn of the century by Mr Cuthbert Heath, the innovative underwriter who in the late 19th century steered Lloyd's of London away from its exclusive concentration on insuring ships.

In 1936, however, the then ruling Committee of Lloyd's banned underwriters from writing credit insurance, following concern over a fraud case in the 1920s which centred on imaginary Swedish buses and taxis and saw underwriters liable for £367,000.

This left the field clear for Trade Indemnity, which still remains overwhelmingly the market leader in domestic credit insurance, and of which Mr Heath was a founding member in March 1918.

The domestic credit insurance market was worth £140m in 1992 and TI's share was 82 per cent, according to Datamonitor, a market research firm. TI believes it insures 15 per cent of all UK companies that could use credit insurance.

In the same year Datamonitor estimated that Panfinancial, a conglomerate formed by Japanese, Swedish and Finnish insurers in the early 1980s, had 9 per cent, with the Belgian company Namur accounting for 7 per cent.

NCM (UK), which first entered the market for domestic credit insurance in April 1992, had only about 2 per cent of the UK's domestic credit insurance but its presence is significant.

The Dutch private sector credit insurer is dominant in the UK export credit insurance market. In 1992 NCM had 70 per cent of business worth £85m following its purchase of the short-term business of the Export Credits Guarantee Department in December 1991.

The Dutch insurer Aegon and the French insurer Assurances Générales de France (AGF) have also established footholds in an industry experiencing a period of fairly rapid change.

Mr Bryan Squibb, sales director of the specialist brokers, the Credit Insurance Association (CIA), said: "Things have changed dramatically. NCM is pushing case-for-case against TI. Last year TI was forced to push up its rates and that allowed NCM to go in and write a number of domestic policies. The competition has forced everyone to respond with aggressive policies which is great for customers."

The growing number of insolvencies in the UK means the market is expanding as more companies seek to buy policies. CIA says "extensive" research it commissioned from an independent agency indicates strong concerns about credit risk and the risk of non-payment among medium and large companies. Three out of four respondents were experiencing problems in obtaining payment within agreed credit periods.

Twin benchmarks in the development of the industry were the failures of Lowndes Queensway, the retail group, and Coloroll, the home furnishings group, in the summer of 1990. Insured credit losses stemming from the Coloroll collapse amounted to between £9m and £20m.

Trade Indemnity, founded by Cuthbert Heath in 1918, has been the UK leader in credit insurance since 1936

The other side of this picture is that in such parlous trading conditions insurers face losses as claims increase.

In more buoyant times credit insurers are almost unique in the broader insurance market because they routinely return profits on premium income rather than relying on investments. This, and the potential for expansion in the market, are perhaps both reasons that Lloyd's has been reconsidering its credit insurance ban and why some large continental European insurers have recently entered the market. Since 1990 European legislation has allowed credit insurers limited freedom to trade across borders.

And technological innovation in the field is introducing new products which can be cheaper and are available to smaller companies. In general customers pay less than 1 per cent of turnover, depending on the sector they operate in and how well they are judged to control credit risks.

The arrival in the industry of Infocheck's computerised on-line credit insurance policies has, however, created a new product range, some of which is specifically aimed at smaller companies.

The traditional "whole turnover" credit insurance normally protects all sales under a single policy. The policy provides the credit manager with financial advice on all principal customers. Generally the insured will self-insure an element of each credit limit. Indemnity is typically 80 to 85 per cent.

The risk posed by each buyer varies so the credit insurer may wish to vary the credit limit. For this reason credit insurers stress the financial advice and management side of their service. They say credit insurance is a discipline on, and a back-up to, credit control. Many companies put their futures at risk because they are unaware that their credit may be up to 40 per cent of their current assets, they say.

The other main traditional type of policy is excess of loss or "catastrophe" insurance. The insured will agree a "first loss" or non qualifying loss designed to eliminate predictable lower level losses. A very large "layer" of cover is then purchased in excess of this self insured proportion.

In 1991 Infocheck began offering computerised variations of these traditional products and others under two credit insurance policies, both underwritten by AMA Underwriting Agencies. These are both essentially spin-offs from their UK business information database. One of the policies is aimed at companies with insurable turnover of more than £2m and the other at those falling under that limit.

Once the policy is in place the customer can access Infocheck's on-line information system and extract information about buyers. At the end of the information a credit limit is presented and the customer asked to accept or reject it. If the customer accepts it coverage is immediate.

This was initially dismissed by more established players in the market as crude compared with their traditional bespoke approach which depends on the specialist experience of underwriters who consider each customer individually. It is understood, however, that most of the big companies are now considering similar on-line facilities.

Catherine Milton

Robert Rice on the implications of recovering debts through the courts

A lot of time and money

USING the courts to recover debts is both time-consuming and costly.

There is little point in taking legal action unless the creditor is sure that the debtor has the necessary funds or assets to meet the debt if the court orders payment.

Before embarking on court action creditors should see first whether a solicitor's letter or placing the debt in the hands of a debt collector will produce the desired result.

Actions to recover debt can be brought in the High Court, the county court or under the county court small claims procedure.

The rules governing where an action should be started changed in July 1991, to bring more claims within the cheaper, quicker and less formal small claims procedure and to prevent trivial cases clogging up the High Court.

The £5,000 upper limit on the jurisdiction of the county court was abolished and the court given unlimited jurisdiction. The jurisdiction of the small claims court doubled to £1,000.

Cases are now allocated between the High Court and the county courts on a simple formula basis. Cases involving sums up to £25,000 should start in the county court as a matter of course. Cases between £25,000 and £50,000 should normally start in the county court unless they are complex or involve important questions of law and fact. Cases involving more than £50,000 should automatically start in the High Court.

The High Court also has new powers to transfer cases to the county court either where the case should have started there in the first place or where it feels the case is straightforward enough to be heard at a lower level.

In practice, this means a number of cases involving more than £50,000 will be transferred down to the county court each year. Plaintiffs who attempt to bring an action in the High Court which should have been started in the county court risk having their case struck out.

Before these changes a huge volume of debt actions which should have been started in the county court were brought in the High Court. Even in 1991, the last year for which figures are available, 46 per cent of claims brought in the High Court in London were for amounts below the old county court jurisdiction limit of £5,000. Over 80 per cent of them were debt or return of goods cases.

There were a number of reasons for the popularity of the High Court as opposed to the county court in debt cases: the availability of the quick summary judgment procedure; the perceived efficiency of the High Court enforcement officers compared with county court bailiffs; and the availability of remedies not available in the lower courts.

Along with the jurisdictional changes, however, the county courts now have powers to make any orders which could have been made by the High Court if the action had been brought there, although this does not extend to the granting of Anton Piller orders and Mareva injunctions. (Mareva injunctions are granted to prevent the transfer of assets and Anton Piller orders to prevent destruction of documents.)

Creditors who are anxious to prevent debtor companies destroying assets or transferring them abroad to avoid payment, therefore, may still wish to commence their actions in the High Court.

Cases are now allocated between the High Court and the county courts on a formula basis

For all practical purposes, however, the county court has become the focus for debt actions. Actions are commenced in the county court by issue of a summons and in the High Court by the issue of a writ of Fieri Facias (Fi-Fa).

The procedure after a summons or writ is broadly the same. If the defendant enters a defence the issue may go to trial.

County court cases involving sums up to £1,000 are dealt with by district judges by way of arbitration under the small claims procedure unless they are legally or factually complex. The arbitrations are informal and do not adhere strictly to court procedures. Parties are encouraged to handle small claims by themselves rather than being represented by a lawyer. Legal aid is not available and normally the winning party cannot recover the cost of legal representation from the loser.

Alternatively, the defendant may admit the claim and make an offer of payment. If the creditor accepts the offer, judgment will be entered in his favour. If he rejects it, a "disposal hearing" will take place at which the court will set the amount the defendant has to pay, and, if he is ordered to pay by installments, the amount of each installment.

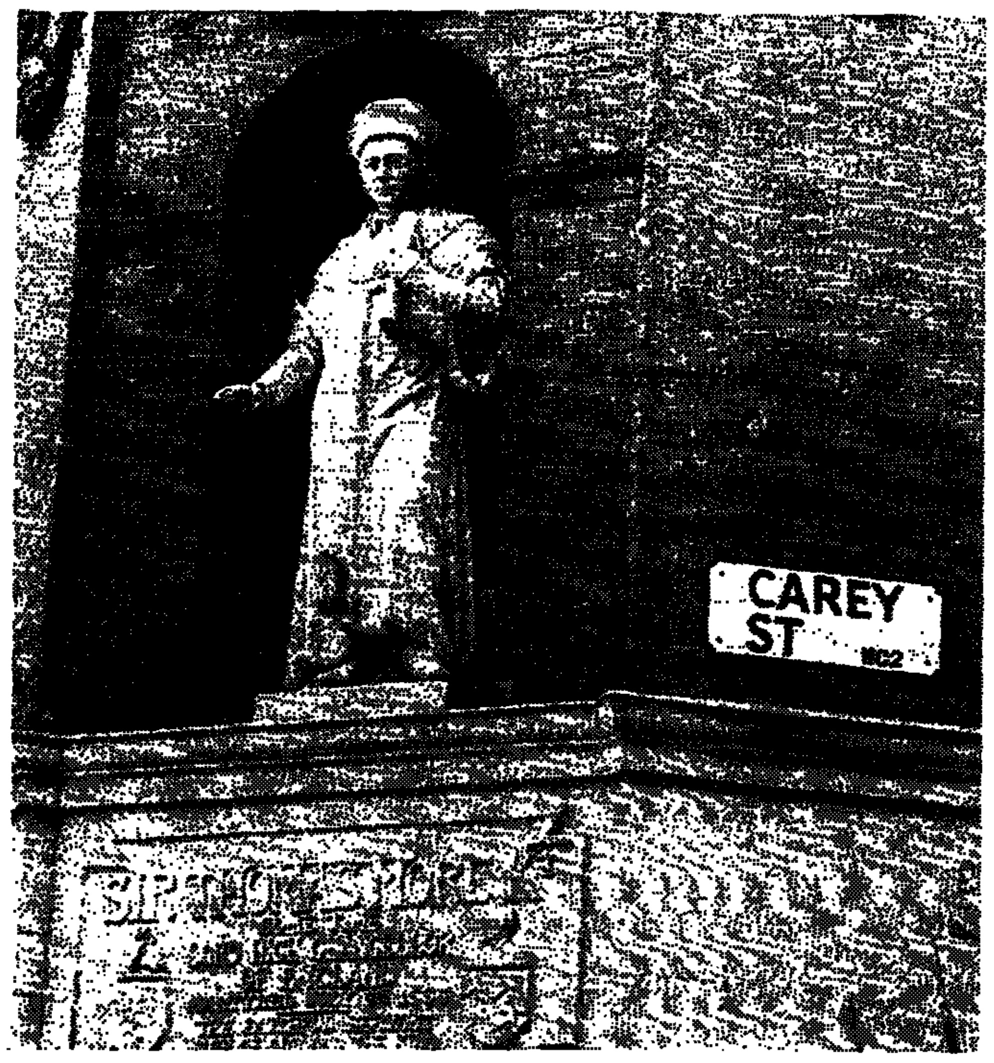
If the defendant fails to respond to the summons altogether the creditor can obtain judgment in default without any examination of the merits of his claim.

Where at least £10 is outstanding on a county court debt one month after judgment the debt is recorded on the Register of County Court judgments. Entries can be cancelled when a judgment is set aside or is paid in full within one month. All entries are automatically removed after six years. Entries on the register can affect a person's ability to get credit in future and act as an incentive to pay off outstanding debts.

Once the plaintiff has obtained judgment in his favour and the debt has not been paid he has a "judgment debt" and can take immediate steps to enforce it.

There are various methods of enforcing judgments in the county courts. The most common, but one of the least effective, is the "warrant of execution" where the court orders an enforcement officer or bailiff to seize and sell by public auction goods belonging to the debtor. Tools of a trade and essential household items are exempt from seizure. The number of execution warrants continues to rise in spite of evidence suggesting bailiffs rarely recover goods sufficient to cover debts. In 1991 the last year for which figures are available 1.47m execution warrants were issued, an increase of 10 per cent in 1990.

A creditor can obtain a charging order on a debtor's property, for example, his house. If the debtor later sells



The High Court's bankruptcy building in London: an address synonymous with financial misfortune

the property the creditor is assured of receiving some money. The number of applications for charging orders rose from 34,970 in 1990 to 45,3672 in 1991.

Another common form of enforcement is attachment of earnings which obliges the debtor's employer to deduct a set sum from the debtor's salary. The number of orders made in 1991 rose to 54,508 from 48,118 in 1990.

A Garnishee order enables money owed to the debtor by a third party (the garnishee), usually a bank or building society, to be held for the benefit of the creditor. The Garnishee order is little used – only 6,380 were issued in 1991.

An administration order allows a debtor with multiple debts not exceeding £5,000 and at least one of which must be a judgment debt which he is unable to pay immediately, to apply to discharge all his obligations by making regular payments into court which are distributed among his creditors on a pro rata basis. When such an order has been made creditors are forbidden to take other enforcement measures without the specific authority of the court.

Administration orders can be made on the application of the debtor, a creditor, or by the court itself. The number granted rose by 43 per cent in 1991 to 8,496. Several changes to the administration order were made in the 1990 Courts and Legal Services Act. They include abolition of the £5,000 limit and need for at least one judgment debt, and the imposition of a three year time limit on the order.

If the debtor cannot meet his debts in three years a composition order is made reducing the overall level of debt he is expected to pay. These changes have not yet come into force.

A large number of oral examinations designed to help creditors find the most appropriate method of enforcing a judgment are held in the county court each year. Although the oral examination is not a method of enforcement, the fact that a debtor is ordered to attend court to provide details of income, expenditure, employment and bank accounts often results in the debt being paid. Applications for oral examinations increased by 15 per cent in 1991 to 122,084.

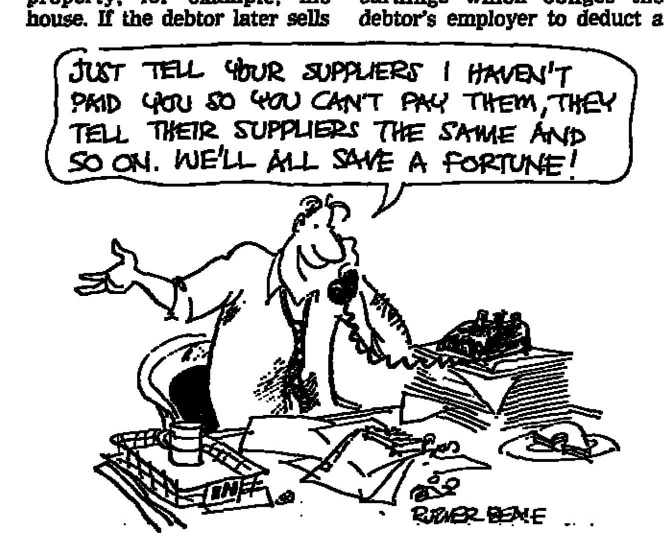
Methods of enforcement in the High Court include charging orders and Garnishee orders and the appointment of a receiver to manage the judgment debtor's property to protect the creditor's interest in it.

If all this fails, a person or company with debts he is unable to meet is "bankrupt" or "insolvent". Creditors may issue a petition for bankruptcy against individual debtors either in a designated county court but more normally in the Chancery Division of the High Court.

Creditors may also petition for the winding-up of an insolvent company. There is a restriction on proceedings which may be started in the county court based on the paid-up capital of the company to be wound-up. Most winding-up proceedings are brought in the High Court.

If no action is taken to recover a debt for six years it becomes statute barred and no action can be taken.

Suppliers should maintain contact with defaulting customers to ensure this does not happen.



Software plays a powerful new role, explains **Claire Gooding**

Critical analysis in depth

CREDIT managers are looking for more from their computer services than mere credit scoring in the 1990s. During the recession, they are more likely to need help in assessing which bad debts are most likely to be repaid.

As in every other sphere of business, users are looking for software which allows them to react more efficiently to change, create better control, and make better decisions.

The truth about computers is they can only make the decisions they are programmed to make. Even the all-seeing Hal in the film epic 2001 was subject to that rule. Another truth is that, however comprehensive and voluminous the data they store, it is only useful as information if it is easily accessible.

As an application, credit management has followed the trend of computing in general – mainframes, bureau services, then devolution to the in-house minicomputer and ultimately, the PC. At the same time, the agenda has changed for credit managers. They are looking for better and more responsive control of existing data, often achieved by attaching a PC to feed from mainframe-held data for sampling and testing.

Further, the trend is to extend the grasp of useful information at all points of the credit cycle, not purely for credit scoring, before the loan is made, but later, when things go wrong.

The last five years have seen growth and innovation in software for credit management. There are now an increasing number of options, in controlling different phases of the credit cycle, and in the hardware, PC and otherwise, available to run them.

The first scoring techniques were developed about 20 years ago, pioneered by Fair Isaac and Co. Computerised databases made it possible to store statistics on which decisions about credit are based.

The system evaluates financial and non-financial characteristics of an applicant, assigning points according to the answers. The scoring system is defined by a table, derived from past experience.

For the first 10 years, the mainframe was the only practical option. The main growth of credit scoring systems has been in the last 10 years, particularly among mail order and retailing users. Fair Isaac have been joined by other dominant suppliers, CCN, MDS and Mathtec, in installing credit-scoring systems in UK banks, finance companies and other creditors, particularly in the last five years. Bureau services are available from Equifix, Scorex, and Infolink.

Users are looking for software which allows them to react more efficiently to change

Now, power has come to the desktop for computer users in credit management. At first sight, this is an application which needs more than PC power, because of the volume of data involved, a problem overcome by linking to the mainframe. Combined with the flexibility of fourth generation languages (4GLs), they offer speed of reaction, because 4GLs can be used to develop speedy prototypes and one-off experiments, and an ability to check and "own" the data.

"Bureaux always have problems in making the data flexible," comments Jalal Khoylou of Paragon Business Solutions, based in West London. "There is always some hassle with the format." Paragon, founded by two ex-Infolink employees, has developed a Decision Support System tailored to scorecard modelling. Its aim is to help users through the complex business of building the scorecard accurately. DSS is written in a 4GL, and is PC-based, using graphical user interfaces (GUIs) for ease of use. According to Khoylou, the process of developing a scorecard can cost up to £30,000 using outside resources: for two scorecards, developed with in-house expertise, DSS is not only a cheaper solution, but more flexible.

Extending the credit-scoring principle to debt recovery, SSI Nynex developed its Debt Recovery System, now used, inter alia, in Marks & Spencer Financial Services, Girobank, and Diners Club. According to Andy Swain, an account manager in debt recovery working for the London-based distributor of the software, AST, the time has come for a more constructive role for computer services than purely the timing and administration of litigation. "What we offer is a broader view of debt recovery. For as many as 250,000 accounts, lenders are having to pay heavy fees trying to recover bad debts, through structured payments or through outside debt collectors. With our system, we can select the people most likely to pay by assessing the age, balance, and other criteria."

The two advantages of using the system are, he suggests, in speed of reaction, and in establishing the recoverability of debts. This is particularly important in deciding which accounts to take to legislation, and which to allocate to agents. "It's easier to control and monitor. The better selection and targeting of accounts makes for improved cost per pound recovered."

The problem of bad debts plagues smaller companies as well as the large institutional lenders. For the smaller companies, PC solutions are becoming available to collect and control cash, and monitor debtors. C2 is a credit management package from ACS, based in Rochester, providing daily reminders and automatic documentation for debt recovery. Business Information Technological Systems, of Ripon, North Yorks, provides a Credit Check database, updated weekly by disk, which keeps a regular check on the credit-worthiness of customers, suppliers, subcontractors, competitors, or prospects, covering companies of all sizes.

Personal experience – the gut feel to distinguish between one who constantly lives in the red and another who will not be so much as a day late paying the bill – is not so easy to encapsulate as hard facts.

Nevertheless, credit management has often been held up as an example of innovative use of so-called "expert systems", in which human experience is distilled in systems which aid decision-making, and can even automate some of the processes of screening. These systems are based on a mixture of human "gut feel" experience and statistical evidence. Nevertheless, they can never make the decisions, they can only present a statistical "likelihood" in any given situation.

As with any area of computing, there is no such thing as the ultimate answer. What there is, however, is an increasing potential for flexible solutions.

COMMODITIES AND AGRICULTURE

Gold price tumbles to lowest for seven years

By David Blackwell

GOLD TUMBLED through the bottom of its recent trading range on the London bullion market yesterday. It was fixed at consecutive seven-year lows of $327.20 a troy ounce in the morning and $326.95 in the afternoon, before closing at $326.45, a fall of 70 cents on the day.

The fall in London followed pressure on the New York Commodity Exchange (Comex) futures market from US commodity fund sales on Monday. The Comex April contract, which held above $327 am ounce on Monday, went to $326.60 in early trading yesterday.

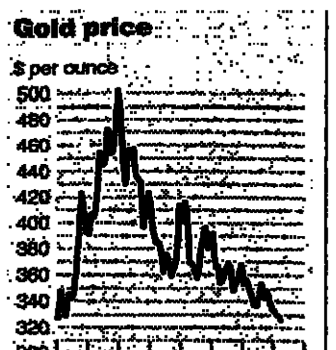
Ms Rhona O'Connell, analyst at Williams de Broe, said the fall was heralded last week by the decline of the commercial rand to 3.19 against the US dollar. At $328 an ounce, South African producers were able to sell their gold forward at R1,050 a troy ounce, giving them a healthy profit.

Analysts in London yesterday pointed out that there is little apart from Far Eastern demand to support the gold price. "There is a total lack of interest. People have other games to play," said Mr Euan Worthington of S.G. Warburg, pointing out that inflation was no longer a factor in investment decisions, and that the US stock market is moving strongly ahead.

"We are in a situation where gold has been by-passed as an investment instrument in the Western World," said Mr Lawrence Eagles of GNI, the London futures brokers. "It is now used just for jewellery."

China has emerged as the main supportive factor for the gold market – a report last month from American Precious Metals Advisors of the US suggested that the country absorbed 800 tonnes (26m troy ounces) last year. This more than offset the 650 tonnes sold by central banks, including 400 tonnes by the Dutch.

However, the threat of further central bank sales continues to hang over the bullion market. In addition producers have been able to lock in profits by forward selling as their currencies have weakened against the dollar.



Source: Datastream

Gold has now broken through the bottom of its recent range of $327 to $332 a troy ounce, and many analysts expect further falls. "Technically it is looking very very bad," said Mr Eagles, who expected the price to fall rapidly if $325 was breached, possibly going below $300 by the end of the year.

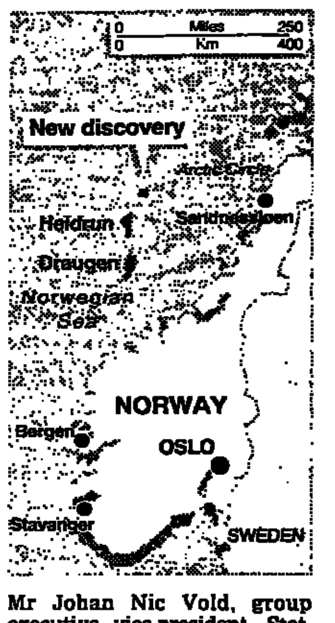
Norwegian oil find put at 440m barrels

By Karen Fossli in Oslo

NORWAY HAS announced its biggest oil discovery in eight years, made in the remote northern region of the Norwegian Sea where relatively limited exploration has been undertaken.

The find is likely to encourage industry interest in exploration in the region, particularly when awards for acreage in the country's 14th licensing round are announced later this year.

Statoil, the Norwegian state oil company, which made the discovery, believes it could be bigger than the find recently made by British Petroleum west of the Shetland Isles, which is estimated to contain 350m to 500m barrels of oil.



"We are very excited by the promise of the discovery and are working hard to enable the field to be developed. The discovery increases the faith we have in the future of the Norwegian continental shelf," said Mr Johan Nic Vold, group executive vice-president. Statoil's preliminary estimate of the new oil reserves is 70m cubic metres, or 440m barrels.

A third well is planned to be drilled in the north-western part of the structure where Statoil believes reserves could be boosted substantially. The field also contains about 10bn cu m of gas, which could be reinjected into the reservoir during the early stages of production.

Ms Wenche Skorge, a Statoil spokeswoman, said because the discovery is situated in 400 metres of water, which is considered very deep by industry standards, an integrated floating production platform is likely to be one of the main solutions to be studied for the development of the as yet unnamed field.

Statoil intends to lodge a plan for development of the field in 1994 and to bring it on stream in 1998. Industry analysts suggest development costs could be between NKr20bn and NKr25bn (£1.95bn and £2.45bn), depending on the chosen scheme.

The field is about 85 km (53 miles) north-east of the NKr24bn Heidrun field, at present being developed by Conoco Norway to come on stream in the third quarter of 1995. Heidrun contains 750m barrels of oil. Ms Skorge said the new field could be the size of Heidrun, but at any rate it is the largest discovery on the Norwegian continental shelf since Heidrun was found in 1985.

The Norwegian Petroleum Directorate's provisional reserves estimate of the field is 50m cu m, or about 315m barrels of oil, but Statoil says the NPD's estimate is far too conservative. The NPD says several wells will have to be drilled before reserves can be estimated with certainty.

The partners in the field include Statoil, with a 50 per cent stake of which 25 per cent is the Norwegian state's direct interest; Norsk Hydro and Saga Petroleum, each with 15 per cent, and Norsk Agip and Enterprise Oil Norge each with with 10 per cent.

India opens door to private mining investors

By Kunal Bose in Calcutta

IN A dramatic policy U-turn, the Indian federal government has decided to allow private sector participation in the exploration for and mining of 13 minerals hitherto reserved to public sector operations. The minerals are iron ore, manganese, chrome, sulphur, gold, diamond, copper, lead, zinc, molybdenum, tungsten, nickel and the platinum group.

Under the new order, Indian public and private sector mining companies will be allowed 50 per cent foreign equity participation on an automatic basis. But the government will be ready to sanction higher foreign capital participation depending on the merits of each case. However, mineral and metal processing units with any level of foreign equity will now be allowed to develop captive mines (mines tied to metal processors).

While the new national mineral policy is part of India's economic reform programme, it is also a response to the need to introduce foreign technology and funds to develop "world grade mines to produce minerals at internationally competitive rates".

India has had success in recent years in discovering new mineral deposits through modern exploration techniques, but the public sector, in many cases, could not mobilise resources to develop mines. For example, Hindustan Copper, India's only copper producer, was forced to postpone the development of Malanjkhand underground copper ore mine with estimated reserve of 275m tonnes because of lack of finance.

Things may now look up for Hindustan Copper and other public sector undertakings. According to Mr Balram Singh Yadav, minister of state for mines, the government has received a good number of enquiries for mineral exploration from leading mining companies in the US, Australia, South Africa and Canada.

The government is hoping that joint ventures with foreign companies as partners will focus on the exploitation of those minerals in which the country is deficient or it does not have exportable surpluses. An objective of the new policy is to promote the export of Indian minerals with as much value added as possible.

Cautious optimism on diamond prospects

By Philip Gawith in Johannesburg

DE BEERS, the company that dominates diamond sales, yesterday gave a cautiously upbeat view of the health of the industry, despite the weakness of the world economy.

Speaking yesterday at the announcement of the company's annual results in Johannesburg, Mr Julian Ogilvie Thompson, the chairman, said: "The Central Selling Organisation (the De Beers controlled group that sells 80 per cent of the world's rough diamonds) restricted its sales in the latter part of 1992 and the balance between rough supply and demand in the cutting centres has been restored."

Mr Ogilvie Thompson confirmed market talk that sales at the first two sights – the rough diamond auctions that take place ten times a year – had been "very good", but put this down to exceptional factors – the scarcity of diamonds from Angola, a hiatus in supply of Russian polished diamonds following imposition of a 20 per cent export duty and high demand from India.

Directors of De Beers also stressed yesterday that diamond jewellery sales had held up very well in a recessionary climate. Mr Jeremy Pudney, a director of the CSO, said the volume of jewellery pieces sold, and the overall value of sales, had been very similar in 1992 to 1991. He said sales, by value, had grown by about 4 per cent in the US, 9 per cent in Germany and 6 per cent in France. Japanese sales fell by about 5 per cent in dollar terms, with sales in Italy and the UK also slightly down.

Mr Gary Ralfe, a De Beers director, gave a positive account of relations between De Beers and the Russian industry. He confirmed that Russia was abiding by quota requirements, noting that their production had fallen by 25 per cent in 1992, with a further 15 per cent decline expected in 1993.

Mr Ralfe predicted a "deluge" of Russian polished diamonds on to the market if, as expected, the 20 per cent duty on diamond exports was lifted. He said their stockpile was estimated at up to $1bn. He stressed, however, that the Russians had not, in recent years, undermined prices in this market as they had done with other commodities.

The sale of rough diamonds by Russia outside the CSO was a "niggle" and not something that could affect the general balance of the market.

Bomb teaches NY exchanges the value of co-operation

By Laurie Morse in Chicago

ROUGH ESTIMATES of the cost of keeping New York's five commodities exchanges operating during the week after the World Trade Center bomb blast fall near $1m, with most of the money spent on emergency services such as fire patrols and auxiliary cooling equipment.

The cost, exchange executives say, has been minor, compared with the importance of keeping the markets open. The exchanges include the New York Mercantile Exchange, where most of the world's oil is priced, the New York Commodity Exchange, am important metals market, the New York Cotton Exchange, the Coffee Sugar and Cocoa Exchange, and the tiny New York Futures Exchange, a subsidiary of the New York Stock Exchange.

These markets provide worldwide price quotes for a variety of strategic commodities. "We had to stay open," says Mr Lou Guttman, the Nymex chairman. "There was a lot of money riding on this. If we had closed down for two weeks, I would have had to tell a lot of guys to go home and not come back. There wouldn't have been a market to come back to."

At the exchanges, which share a trading floor in a WTC building not directly hit by the blast, the week following the bombing was marked by heroics. Traders and support staff laboured without heat or air conditioning amid repeated crank bomb threats and the overhanging threat of power loss. Technicians at one point brought in dry ice to cool exchange computers; and the Nymex and the Chicago Mercantile Exchange worked out a pact for emergency price reporting, in case Nymex's tickers failed.

Despite the difficulties, traders managed to squeeze a lot of business into half-day sessions. Volume at the Coffee Sugar and Cocoa Exchange was actually higher than in the same week in 1992, and the giant Nymex traded only about 20 per cent fewer contracts. Volumes at the Comex and the Cotton Exchange were down about 40 per cent for the week, and the Nyfe turned about 15 per cent fewer trades.

This week, air conditioning has been restored and most trading hours have returned to normal, with the exception of earlier closings for the Nymex and a half-session for Comex's Eurotop 100 futures.

The atmosphere at the Commodity Exchange Center is far from normal, however. Nymex oil traders, reminded of their vulnerability to terrorism, have sought additional security. Bomb-sniffing dogs now roam the trading floor, armed guards patrol the lobbies and packages are examined by airport-style x-ray machines.

The crisis, it seems, brought an unexpected benefit: exchange executives say it forced co-operation between the five normally fractious exchanges. "We were actually working together," said the Nymex's Mr Guttman.

The bombing has also set off a scramble for "shadow" trading floors. The Nyfe is refitting its old space at the New York Stock Exchange for emergencies and Nymex, which plans to move to new quarters in Manhattan in the second quarter of 1994, may keep its WTC space as a back-up.

Irish meat output set to reach record

By Tim Coone in Dublin

IRISH MEAT output is likely to hit record levels during 1993, thanks to continuing growth in the country's cattle, sheep and pig herds.

According to figures released by the Irish Livestock and Meat Board this week, the breeding herds for all three livestock sectors now stand at their highest levels on record. Based on census data from last December, the size of Irish herd of breeding cows is now put at 2.17m head; of breeding ewes at 4.8m; and of breeding sows and gilts at 170,000.

The overall total for the cattle herd masks diverging trends for the dairy and suckler cow (beef) herds. Dairy cow numbers fell by 2 per cent to 1.26m head, while suckler cow numbers grew by 17 per cent to 912,000 head. This, says the CBF, is because of farmers responding to reforms of the European Community's common agricultural policy by building their suckler herds.

The capping of ewe premiums at 1991 levels under the new CAP reforms means that the sheep breeding flock is unlikely to grow further this year, says the CBF, while it notes that the rise in the pig breeding herd by 30 per cent since late 1989 makes "the Irish herd one of the fastest growing in Europe".

On the basis of these figures the CBF estimates that cattle supplies in 1993 will be "somewhat over 1.9m head", sheep supplies will increase by 3 per cent to some 4.8m head while total pig slaughterings "could exceed 3.3m head".

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,620-1,680 (1,635-1,690).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.20-2.40 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.35-0.45.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.85-16.50 (15.65-16.30).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 120-140 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.00-2.10 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.70-5.40.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 33-44 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.60-1.70 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 7.60 (7.65).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+5,275	to 1,677,000
Copper	+4,175	to 338,950
Lead	+1,000	to 235,150
Nickel	-612	to 84,882
Zinc	+3,450	to 574,075
Tin	-70	to 18,395

Cuban sugar situation 'tense'

THE SITUATION of Cuba's 1992–1993 sugar crop is "tense" and harvesting and milling are being carried out with less than 20 per cent of the resources used in past harvests, according to official newspaper Granma, reports Reuter from Havana.

Granma, the mouthpiece of the ruling Communist Party, said there were accumulated delays in harvesting and milling more than three months after the start of the current campaign.

"A clear example of the harsh reality being faced is that there are still some mills which have not yet started milling," the newspaper added.

WORLD COMMODITIES PRICES

MARKET REPORT

A steadier undertone prevailed on the LME. Dealers said the generally steady trend seen in **COPPER** helped other metals, although significant upward breaks were unlikely. Three-month copper was reluctant to test the band of resistance above $2,170 a tonne. Although some traders reported Chinese buying, most felt that China had been a small-scale seller recently, so the market was expected to re-test downside support. Three-month **NICKEL** remained firmer, building on the move above $6,050. A fall in LME stocks, Pacific Metals' decision to sustain its production cut to June, and talk of scrap shortages and Russian shipments tailing off in Europe were supportive. London **COFFEE** and **COCOA** wound up quietly after a day when the main market features were lethargy and apathy, traders said. In Chicago **SOYABEANS** moved higher early amid fund buying as rumours circulated that several US banks had re-opened credit lines to Russia.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Apr)		+ or -
Dubai	$16.65-6.75	-.015
Brent Blend (dated)	$19.15-9.19	-0.07
Brent Blend (Apr)	$19.10-9.14	-0.02
W.T.I (1 pm est)	$20.69-0.73	+0.09

Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$197-200	
Gas Oil	$178-179	+1
Heavy Fuel Oil	$76-77	-1.5
Naphtha	$172-174	-0.50
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)♣	$326.45	-0.7
Silver (per troy oz)♣	356.5c	-0.5
Platinum (per troy oz)	$344.75	+2.9
Palladium (per troy oz)	$103.75	-0.6
Copper (US Producer)	99.50c	
Lead (US Producer)	33.5c	
Tin (Kuala Lumpur market)	14.82r	
Tin (New York)	262.0c	-0.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	135.31p	+2.63*
Sheep (live weight)†♣	118.30p	-1.81*
Pigs (live weight)†	89.62p	+3.53*
London daily sugar (raw)	$248.0	-2
London daily sugar (white)	$277.0	
Tate and Lyle export price	£283.0	-1
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	63.50p	-0.5
Rubber (May)♥	64.00p	-0.5
Rubber (KL RSS No 1 Feb)	221.5m	-2
Coconut oil (Philippines)§	$445.0y	-5
Palm Oil (Malaysian)§	$405z	-5
Copra (Philippines)§	$280.0	
Soyabeans (US)	£180.5u	-2
Cotton "A" index	61.35c	-0.3
Wooltops (64s Super)	397p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Apr/May u-Mar/Apr. x-Aug w-Feb/Mar z-Mar ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
May	223.00	223.00	222.60	
Aug	227.00	227.00	226.00	
White	Close	Previous	High/Low	
May	274.40	274.50	275.50	272.50
Aug	278.00	278.00	279.00	277.00
Oct	254.50	255.50	256.50	254.00
Dec	254.00	253.70	254.00	
Mar	253.00	253.60	253.00	

Turnover: Raw 23 (22) lots of 50 tonnes. White 1805 (1652) Paris- White (FFr per tonne): May 1567.66 Aug 1613.35

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Apr	19.12	19.05	19.21	19.04
May	19.14	19.08	19.22	19.06
Jun	19.20	19.14	19.22	19.10
Jul	19.15	19.18	19.17	19.12
Aug	19.20	19.18	19.21	19.14
Sep	19.17	19.17	19.17	
Nov	19.19		19.19	
IPE Index	19.20	19.49		

Turnover 17228 (40073)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Mar	175.50	175.00	176.00	174.25
Apr	175.50	174.75	176.00	174.25
May	175.00	175.00	175.50	174.50
Jun	174.75	175.00	175.50	174.25
Jul	176.00	176.00	176.00	175.25
Aug	178.00	178.25	177.50	177.25
Sep	179.50		179.25	178.25
Oct	182.00		182.50	181.50
Nov	183.75	183.50	184.25	183.50

Turnover 19106 (19612) lots of 100 tonnes

JUTE
C and F Dundee; BTC US$355, BWC US$380, BTD US$320, BWD US$340. C and F Antwerp; BTC US$ 340, BWC US$340, BTD US$315, BWD US$315.

COTTON
LIVERPOOL- Spot and shipment sales amounted to 238 tonnes for the week ended 5 March, compared with 398 tonnes the previous week. Subdued offtake did not bring many operations, support was forthcoming in certain specialist styles notably in the C.I.S. and Cameroon ranges

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Mar	698	707	704	691
May	708	714	716	702
Jul	719	725	727	715
Sep	731	737	739	729
Dec	751	757	756	746
Mar	769	776	775	767
May	783	789	787	779
Jul	798	804	801	
Sep	812	819	814	
Dec	835	844	838	

Turnover: 3577 (3414) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar 9 711.03 (702.86) 10 day average for Mar 8 732.72 (735.71)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Mar	970	984	978	962
May	926	932	936	924
Jul	896	900	905	890
Sep	905	907	912	900
Nov	914	912	920	911
Jan	925	922	926	923

Turnover:2140 (987) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar 5: Comp. daily 56.04 (56.81) 15 day average 57.45 (57.54)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	39.3	40.0	40.0	39.1
May	41.6		42.0	41.6
Apr	94.8		94.5	93.0

Turnover 91 (9) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	141.00		141.00
Aug	142.00		142.00

Turnover 20 (0) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Mar	1415	1410	1415	1410
Apr	1420	1409	1420	1409
May	1380	1370	1380	1365
Jul	1212	1210	1212	1210
Oct	1355	1352	1355	1350
BFI	1394	1386		

Turnover 202 (156)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Mar	143.25	144.60	143.25	143.25
May	145.10	145.50	145.25	144.00
Jun	146.25	147.00	148.25	146.00
Nov	110.75	110.75	110.75	110.35
Jan	113.60		113.65	113.50
Mar	116.10		116.25	116.10
Barley	Close	Previous	High/Low	
Sep	106.30	106.65	106.50	106.25
Nov	109.25	109.50	109.25	

Turnover: Wheat 213 (144), Barley 29 (60).
Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Apr	116.3	116.7	116.8	116.0
May	116.3	116.0	116.5	116.0
Jun	113.5	113.0	113.0	112.5

Turnover:50 (42) lots of 3,250 kg

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 27,004 lots	
Cash	1160.5-61.5	1155.5-56.5		1158.5-59		
3 months	1181-82	1176.5-77	1182/1178.5	1179.5-80	1178-78.5	164,175 lots
Copper, Grade A (£ per tonne)					Total daily turnover 37,450 lots	
Cash	1492-93	1478-79	1483/1482	1483-83.5		
3 months	1516-17	1503-03 5	1517/1506.5	1505.5-06	1513-14	157,206 lots
Lead (£ per tonne)					Total daily turnover 2,213 lots	
Cash	287.5-88.5	283.5-84.0		289-90		
3 months	297-97.5	293-93.5	298.5/294	299.5-300	298.5-99	18,792 lots
Nickel ($ per tonne)					Total daily turnover 8,196 lots	
Cash	6020-30	5970-80	6015	6019-20		
3 months	6086-90	6030-40	6090/6040	6075-80	6065-70	41,732 lots
Tin ($ per tonne)					Total daily turnover 1,928 lots	
Cash	5665-75	5660-65	5665	5660-65		
3 months	5730-35	5720-25	5740/5715	5725-30	5745-50	7,930 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 6,598 lots	
Cash	1003.5-04.5	996.5-97.5	997.5	997-97.5		
3 months	1022-22.5	1015-16	1025/1016	1016-16.5	1021-22	71,381 lots

LME Closing £/$ rate:
SPOT: 1.4365 3 months: 1.4260 6 months: 1.4203 9 months: 1.4144

LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	326.30-326.60	
Opening	327.10-327.50	
Morning fix	327.20	226.750
Afternoon fix	326.95	227.618
Day's high	327.30-327.60	
Day's low	326.20-326.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.71	6 months	2.46
2 months	2.60	12 months	2.49
3 months	2.51		

Silver fix	p/troy oz	US cts equiv
Spot	246.90	356.00
3 months	250.45	358.75
6 months	253.90	361.60
12 months	260.10	368.10

GOLD COINS	$ price	£ equivalent
Krugerrand	327.00-330.00	226 00-228.00
Maple leaf	336.25-338.45	-
New Sovereign	78.00-81.00	54.00-56.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Apr	Jul	Apr	Jul
1125	47	75	3	8
1150	27	56	6	27
1175	12	41	16	58
Copper (Grade A)	Calls		Puts	
2100	61	94	9	24
2150	29	63	27	43
2200	10	40	58	69
Coffee	May	Jul	May	Jul
900	54	51	28	55
950	29	33	53	87
1000	15	22	89	126
Cocoa	May	Jul	May	Jul
725	16	38	33	44
750	9	29	51	60
775	5	22	72	78
Brent Crude	Apr	May	Apr	May
1900	20	46	14	42
1950	4		49	69
2000	2	15	98	107

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Mar	326.6	327.1	0	0
Apr	327.2	327.7	328.2	326.6
May	327.8	328.3	0	0
Jun	328.4	328.9	329.4	327.7
Aug	329.8	330.3	330.0	329.2
Oct	331.3	331.8	331.4	331.4
Dec	332.8	333.2	333.5	331.7
Feb	334.4	334.7	334.5	333.9

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Apr	345.1	342.2	345.5	343.5
Jul	343.9	340.7	344.5	343.0
Oct	342.7	339.2	342.7	342.0
Jan	341.2	337.7	339.5	339.5

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Mar	355.7	353.6	355.5	354.5
Apr	356.7	354.7	0	0
May	357.8	355.8	358.0	356.5
Jul	360.2	358.2	360.5	359.0
Sep	362.7	360.7	363.5	362.5
Dec	366.3	364.3	367.0	365.0
Jan	366.7	364.7	0	0
Mar	370.0	368.0	0	0
May	372.6	370.6	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	94.60	95.05	95.70	94.60
Apr	94.85	95.30	95.45	94.75
May	95.25	95.70	96.30	95.15
Jun	95.60	96.05	96.40	96.40
Jul	96.00	96.40	97.00	96.00
Aug	96.40	96.75	0	0
Sep	96.80	97.10	97.70	97.30

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Apr	20.66	20.71	20.77	20.58
May	20.75	20.80	20.84	20.67
Jun	20.78	20.83	20.86	20.71
Jul	20.78	20.83	20.87	20.73
Aug	20.77	20.82	20.84	20.73
Sep	20.80	20.81	20.82	20.74
Oct	20.77	20.80	20.77	20.77
Nov	20.74	20.79	20.74	20.73
Dec	20.74	20.77	20.74	20.70
Jan	20.71	20.74	20.74	20.74

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Apr	58.20	58.09	58.75	57.90
May	57.35	57.36	57.80	57.10
Jun	56.70	56.79	56.95	56.65
Jul	56.70	56.82	56.90	56.60
Aug	57.30	57.42	57.50	57.30
Sep	58.60	58.42	58.50	58.35
Oct	59.30	59.42	59.35	59.30
Nov	60.00	60.27	60.40	60.00
Dec	61.00	61.12	61.20	61.00
Jan	61.35	61.57	61.50	61.35

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Mar	860	870	860	842
May	878	892	888	875
Jul	905	918	915	900
Sep	928	944	938	926
Dec	959	975	972	963
Mar	992	1008	1005	995
May	1014	1030	0	0
Jul	1035	1051	0	0
Sep	1063	1079	0	0
Dec	1088	1104	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	60.50	61.50	61.35	60.00
May	63.75	63.30	64.00	62.75
Jul	65.65	65.30	65.75	64.65
Sep	67.25	67.15	67.30	66.45
Dec	69.70	70.15	70.10	68.95
Mar	72.25	72.60	72.75	71.00
May	74.15	74.60	74.00	73.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
May	9.88	10.01	10.09	9.87
Jul	10.08	10.14	10.23	10.07
Oct	9.35	9.40	9.50	9.34
Mar	9.02	9.09	9.15	9.02
May	9.03	9.05	9.03	9.03
Jul	9.08	9.05	0	0

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Mar	62.75	62.00	62.80	62.00
May	62.86	62.23	63.00	62.30
Jul	63.88	63.28	64.00	63.40
Oct	63.25	62.98	63.40	63.15
Dec	62.05	61.75	62.18	61.80
Mar	62.50	62.50	0	0
May	63.00	63.05	0	0
Jul	63.60	63.65	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	74.85	79.25	80.10	74.50
May	77.20	81.65	82.90	77.00
Jul	80.40	84.45	85.75	80.30
Sep	83.00	87.20	87.75	83.00
Nov	85.50	88.50	89.50	85.50
Jan	88.00	90.85	92.50	88.00
Mar	89.00	92.05	93.50	91.00
May	89.00	92.05	0	0
Jul	89.00	92.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Mar.9	Mar.8	mnth ago	yr ago
1763.2	1760.2	1736.9	1609.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Mar.8	Mar.5	mnth ago	yr ago
Spot	123.64	124.08	122.60	116.45
Futures	126.15	127.44	127.77	122.72

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Mar	574/0	573/4	576/0	573/0
May	577/2	576/2	579/4	576/0
Jul	582/4	581/0	584/4	580/6
Aug	585/0	583/6	586/6	583/2
Sep	585/4	584/4	587/4	584/4
Nov	591/6	590/4	594/0	590/4
Jan	599/0	597/2	600/4	598/4
Mar	606/4	605/0	0	0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	20.94	20.93	20.97	20.85
May	21.16	21.12	21.23	21.05
Jul	21.36	21.29	21.42	21.27
Aug	21.41	21.34	21.48	21.37
Sep	21.45	21.37	21.53	21.42
Oct	21.47	21.37	21.56	21.45
Dec	21.62	21.51	21.65	21.55
Jan	21.66	21.53	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Mar	176.5	175.8	176.9	175.2
May	178.1	177.4	178.6	177.0
Jul	180.3	179.7	180.8	179.3
Aug	181.6	181.0	182.0	180.5
Sep	182.8	182.2	183.3	182.1
Oct	184.2	183.5	184.8	183.5
Dec	187.2	186.5	187.9	186.5
Jan	186.7	186.8	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Mar	214/0	213/6	214/4	213/4
May	220/6	221/0	221/2	220/4
Jul	227/6	227/6	228/2	227/2
Sep	233/6	233/6	234/0	233/4
Dec	241/2	241/2	241/6	240/6
Mar	248/0	247/6	248/0	247/2
May	252/0	252/0	252/0	251/6
Dec	249/4	249/0	249/4	249/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Mar	367/0	370/6	372/0	366/0
May	331/4	336/4	336/6	330/0
Jul	309/6	313/6	314/4	307/4
Sep	313/2	317/2	317/2	311/4
Dec	321/4	325/6	325/6	320/0
Mar	325/0	329/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Apr	81.700	81.850	82.225	81.600
Jun	75.900	75.975	76.275	75.675
Aug	71.875	71.975	72.225	71.700
Oct	72.825	73.125	73.250	72.800
Dec	73.600	73.900	74.100	73.550
Feb	72.900	73.225	73.400	72.825
Apr	74.200	74.500	74.550	74.100

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Apr	48.375	48.750	49.800	48.050
Jun	53.850	54.100	54.850	53.275
Jul	51.650	52.400	52.800	51.300
Aug	48.700	49.375	49.850	48.125
Oct	43.700	44.250	44.700	43.250
Dec	44.700	45.425	45.650	44.550
Feb	45.000	45.400	45.700	45.000
Apr	44.000	44.100	44.300	44.000

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Mar	49.175	47.175	49.175	48.000
May	50.225	48.225	50.225	49.400
Jul	50.450	48.450	50.450	49.100
Aug	49.050	47.050	49.050	47.600
Feb	52.650	53.750	55.450	52.000
Mar	52.250	52.625	54.625	52.250

Profit-takers reverse fresh advance

By Terry Byland, UK Stock Market Editor

LONDON'S attempt to follow Wall Street to new highs was thwarted yesterday by a shake-out in the stock index futures market. After gaining 20 points in early trading, the FT-SE Index turned back sharply when the futures markets opened and share prices ended the day on the downside.

Confidence in economic recovery remained sound, however, and hopes of a cut in domestic interest rates around the time of next week's Budget speech were supported by sterling's relatively stable reception for the announcement of the latest UK producer price data.

The parliamentary defeat overnight of the UK government on moves to accelerate the Maastricht legislation introduced an element of political uncertainty. The stock market continued to debate the prospects of rises in indirect taxes on Tuesday when Mr Norman Lamont, UK chancellor of the exchequer, makes his Budget speech.

The early gain of 20 points on the Footsie was reversed into a loss of 11.2 by mid-session. A sluggish start on Wall Street, where the Dow Industrial Average was just 2 points ahead in London hours, left the UK market to drift. Traders reported little sign of significant selling and said that profit-taking was only to be expected following the sharp advance in the previous session.

At the final reading, the FT-SE Index stood at 2,949.9, down 7.4, with traders unsure whether to worry about the challenge to the 2,900 mark.

Trading volume was brisk, with 776.5m shares moving through the Seaq system compared with 654.1m on Monday, when retail business stayed firm at £1.23bn.

Non-Seaq business increased significantly, to make up about 78 per cent of the day's total, against recent daily averages of closer to 60 per cent. The FT-SE Mid 250 Index shaded lower by 0.5 points to 3,119.2.

Market strategists remained confident that the London market still has further strength behind it and that yesterday's pause was nothing more than a bout of minor profit-taking following a session when share prices were driven ahead by a mixture of economic optimism and technical market factors.

The latest advance to new highs in the UK stock market has taken place against a backcloth of similar strength in other world markets.

While convincing evidence of a recovery in the UK economy remains elusive, London traders have taken an increasingly confident view of developments in the US. At the same time, belief that German interest rates will soon start to fall underpins expectations that UK rates can remain low, at least until the end of this year.

However, some analysts are wary of the outlook for UK equities after the Budget. Mr Craig Knox at *Lazard Investors*, is moving ahead of Mr Lamont's speech. He told clients that UK shares have performed relatively well over the past month and that this appears a "good moment to reduce exposure."

At Panmure Gordon, Mr Robin Aspinall sees the FT-SE Index now making its "final dash" for the 3,040-50 target, with both new York and Tokyo providing encouragement. He believes that this week's data on consumer credit implies a consumer-led recovery but doubts that consumers will indulge in "another 1980's style binge."

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	33,000	69¼	+1½
Abbey National	2,300	368	−1
Albert Fisher	4,800	73	
Allied-Lyons	1,400	587	−6
Amstrad	1,000	27½	−1
Anglian Water	388	526	−2
Argos	674	283	−4
Argyll Group	3,400	384½	+1½
Arjo Wiggins	623	187	−1
Ass. Brit. Foods	255	601	−6
Ass. Brit. Ports	300	400	+1
BAA	791	780	−4
[illegible]			
Bunzl	386	127	−2
Burmah Castrol	838	724	+4
Burton	11,000	77	+1
Cable & Wire.	3,600	728	−5
Cadbury Schweppes	1,300	494	−5
Caler Group	44	249	+4
Carlton Comms.	1,200	791	−2
Coats Viyella	2,600	229	+1
Comm. Union	884	629	−6
Cookson	2,800	192	
Courtaulds	1,400	605	+1
Dalgety	602	477	+3
De La Rue	1,000	880	−4
Dixons	2,000	227	+3
Eastern Elect.	1,500	477	+3
East Midland Elect.	653	480	+2
Eng China Clays	457	492	−1
Enterprise Oil	3,500	607	+10
Eurotunnel Units	699	477	+9
FKI	4,700	125	−1½
Fisons	3,800	283½	+2½
Foreign & Col. I.T.	731	228	+1
[illegible]			
Johnson Matthey	359	461	−3
Kingfisher	2,000	545	+1
Kwik Save	70	843	+1
Ladbroke	3,400	210	
Land Securities	588	496	−1
Laporte	859	695	+1
Legal & General	489	489	
Lloyds Abbey	1,400	440	+6
Lloyds Bank	2,500	558	−3
LASMO	2,800	180	−1
London Elect.	1,500	476	+1
Lonrho	1,600	83	−1
Lucas	1,800	139	−3
MB Caradon	1,100	335	−4
MEPC	1,100	378	+2
Manweb	283	535	−3
Marks & Spencer	8,700	350	+2½
Midlands Elect.	462	499	
Morrison (Wm.)	1,700	169	−3
NFC	1,500	207	−2
NatWest Bank	2,200	447	−7
National Power	3,100	329½	−4
[illegible]			
Ryl Bk Scotland	3,400	256	
Royal Insurance	2,000	300	−4
Saatchi	335	165	+2
Sainsbury	1,100	538	−4
Scottish & New.	2,700	465	+9
Scot. Hydro-Elect	3,700	258	+½
Scottish Power	6,100	248	+1
Sears	2,500	102	−2
Sedgwick	1,600	188	−1
Seeboard	152	511	+5
Severn Trent Water	1,600	501	
Shell Transport	4,700	579	+1
Siebe	1,800	407	−2
Slough Ests	370	192	+1
Smith (W.H.) A	720	422	−7
Smith & Nephew	2,100	155½	−1½
SmKl Beecham	2,100	[illegible]	+4
SmKl Beecham Uts.	1,300	[illegible]	+2
Smiths Inds.	1,200	391	−3
Southern Elect.	410	494	+4½
South Wales Elect.	337	548	+7
South West Water	358	544	+2
[illegible]			
Warburg (SG)	714	624	−10
Wellcome	1,100	902	+1
Welsh Water	213	589	
Wessex Water	109	522	+8
Whitbread 'A'	2,200	488	+5
Williams Hldgs.	1,700	354	−2
Willis Corroon	865	192	−2
Wimpey	314	133	
Wolseley	1,280	590	+7
Yorkshire Elect.	516	581	+3
Yorkshire Water	107	598	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

First Dealings:		
Mar 1	Mar 15	Mar 29
Option Declarations:		
Mar 11	Mar 25	Apr 15
Last Dealings:		
Mar 12	Mar 26	Apr 16
Account Day:		
Mar 22	Apr 5	Apr 26

*New time dealings may take place from 8.30am two business days earlier.

Pressure on glass producer

GLASS maker Pilkington was one of the chief casualties in a generally unhappy building materials arena as the market picked up hints that a flurry of profits downgradings could be in the pipeline.

The company is believed to have requested meetings with a number of stockbroking analysts over the next few days and dealers speculated that these might reveal plans for cost-cutting and write-downs.

Specialists said a large seller of Pilkington shares emerged late on Monday afternoon and triggered initial downward pressure on the stock. Additionally, NatWest Securities highlighted the impact on the building materials stocks of economic slowdown in continental Europe.

There has also been speculation that Pilkington may seek to raise capital, although some dealers said a rights issue around the current share price appears unlikely.

Pilkington's preliminary results are due in June and analysts' forecasts range from £30m to £40m. The shares weakened to 105¼p at one point yesterday before stabilising to end 2¼ off at 110½p. Turnover of 4.5m shares was well above average.

Enterprise Oil lifted

Another major oil discovery, this time on the Norwegian continental shelf, was announced by a consortium including the UK's Enterprise Oil. The stock gained 10 at 507p, its best level since November 1991. Turnover was a heavy 3.5m shares.

"This is wonderful news for Enterprise ahead of tomorrow's preliminary figures, which are expected to include a nudge upwards in the dividend payment to 16p," said one oil specialist.

Another said the discovery continued Enterprise's record of strong exploration success and would keep up the group's production profile in coming years.

Last week BP announced a substantial oil find west of the Shetland Islands; initial estimates of the find, where BP has an 80 per cent stake and Royal Dutch/Shell the remaining 20 per cent, were put at 250m to 500m barrels of oil.

M and S bought

A surge of speculative buying of Marks and Spencer helped the shares put on 2¼ at 350p in trade of nearly 9m shares, with a further 3m dealt in the options market. Some analysts reported whispers of strong February sales by the high street retailer, to follow a healthy performance in January.

There was also talk of pressure exerted on M and S's suppliers as the group attempts to improve margins.

The company is not due to report its final results until May, but yesterday's speculation will do nothing to dampen expectations in the market that the group will exceed most current analysts' forecasts.

Brown Shipley moved forward 4 to 40p after it was revealed that GPG, the UK investment company controlled by Sir Ron Brierley, was considering a full bid for the group after increasing its stake to 22 per cent by buying a block of 2.35m shares, or 14.8 per cent, at 35p a share.

Continuing worries about the extent of the losses arising from the bank's involvement in the Bombay securities market, and lingering fears that today's preliminary numbers may be accompanied by a large rights issue, took their toll of Standard Chartered shares. The stock retreated a further 8 to 691p on above average turnover of 1.3m.

Barclays' rally came to an abrupt halt, the shares relinquishing 8 to 413p on heavy volume of 8.4m.

Sun Alliance outperformed the rest of the composite insurance sector as US buying, thought to have been prompted by a buy note published by one of the US investment banks, lifted the shares 9 to 342p.

FT-A All-Share Index

Equity Shares Traded

Turnover by volume (million) Excluding: intra-market business & Overseas turnover

Source: Datastream

Bearish noises surrounding the leading building material groups saw BPB slip 3 to 215p and Blue Circle ease 2 to 234p. Redland held at 482p and RMC declined 11 to 611p.

Meyer fell 10 to 318p, with BZW said to have lowered its profits forecasts for the group. For the current year BZW is said to be predicting profits of £11m, down from £15m, and for next year it expects the group to achieve profits of £18m compared with a previous estimate of £19m.

Conglomerate Hanson eased a penny to 257p, with analysts at BZW reported to have come to the view that there was little upside in the stock. The securities house is believed to have also reduced its profits estimate for the year to September 1994, coming down to the bottom of the range which is around £1.19bn.

With good figures expected today from international conglomerate BTR, the shares were once again in demand. They moved a penny forward to 591p, with turnover increasing to 5.4m.

Results from Hillsdown generated good two-way business of 8.4m shares, but left the price steady at 163p. However, Nomura, which continued to mark the stock a weak hold, said questions over long-term strategy remain unanswered.

Nervousness ahead of results today from Cadbury-Schweppes left the stock 5 adrift at 494p. Yorkshire Food Group made a strong market debut, the shares coming to the market at 110p and closing 28 forward at 138p. Turnover came to 8.6m.

Asda continued its seemingly relentless march forward, with Hoare Govett positive following a recent company visit. The stock was also buoyed by suggestions it may shortly join the FT-SE 100 Index. The shares gained 1¼ at 69¾p in turnover of 33m.

However, according to market gossip, Asda'a rumoured inclusion in the Footsie could be at the expense of W.H. Smith, whose "A" shares lost 7 to 422p yesterday.

Buying pressure squeezed Stakis higher as shares in the hotel and casino group were said to be chased by institutions. The stock climbed 3¼ to 51½p.

Speculation in Paris that Euro Disney would shortly be announcing the restructuring of some debt sent the shares surging by 65 to 1080p but was scouted by sources close to the company. Thorn EMI rebounded from Monday's weakness, with S.G. Warburg said to be positive. The shares appreciated 10 to 874p.

Drinks stocks continued to respond to positive talk on consumer spending and economic recovery, with the second liners taking centre stage yesterday. H.P. Bulmer jumped 16 to 393p, Greene King rose 5 to 533p, helped by an analysts visit, and Wolverhampton & Dudley gained 11 at 599p. Bass was steady at 593p following a reported downgrade from James Capel.

Profit-taking combined with nervous trading as British Aerospace met with fund managers yesterday afternoon left the shares 5 lighter at 272p.

A view that shares in engineering group Glynwed International, which reported a a 30 per cent increase in full year profits, was overvalued weakened the shares. They gave up 7 to 282p, with one market watcher suggesting little improvement in trading in the short term.

Vickers shed a penny to 118p, ahead of today's figures with a rights issue of between £80m and £100m expected from the company. BBA gained 5 to 171p, after reporting a 53 per cent increase in figures.

Profits also improved at Transfer Technology and the shares responded by jumping 29 to 517p. Profit-taking hit Danka Business leaving the shares 52 down at 632p. News that Ocean Group was in talks to sell its bulk liquid storage company boosted the shares. They added 10 to 296p.

Glaxo rebounded from the weakness inflicted by speculation over its dispute with US drug authorities, the shares leaping 18 to 666p. Medeva rose 9 to 225p ahead of results today.

MARKET REPORTERS:
Christopher Price,
Joel Kibazo,
Steve Thompson.

■ Other market statistics, Page 19

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS (261). ... Carlton Comms. 6½pc Pf., Headline, Metal Bulletin, Sterling Publs., Utd. News., MERCHANT BANKS (4) Close Bros, Schroders, Do N/V, Singer & Friedlander, MTL & MTL FORMING (4) Brit. Steel, Clayhithe 9½pc Cv. '00-01, Glynwed, Triplex Lloyd, MISC (8) Alumasc, Christies, Faber Prest, Headlam, Rothmans, Silentnight, MOTORS (3) First Tech., Hartlys, Lookers 8pc Pf., OIL & GAS (6) Brit. Gas, Enterprise, Exxon, Mobil, Pict, OTHER FINCL (11) Cater Allen, Edinburgh Fd. Mngrs., Gerrard & Natl., Henderson Admin., Invesco MIM, Do 9pc '95-00, Ivory & Sime, M & G, Secure Tst., Smith New Court, Do Pf., OTHER INDLS (7) BTR, Do Wts., Do Wts. '92-93, Do Wts. '94-95, Do Wts. '95-96, McKechnie, Wilshaw, PACKG, PAPER & PRINTG (5) API, Brit. Polythene, Ferguson, Low & Bonar, Portals, PROP (6) Brit. Land (Jersey) 8⅝pc Cv. '11, Brixton Ests., Cap. & Regional, Davies (DY), Molyneux, RPS, STORES (5) Brown (N), Courts, Marks & Spencer, Moss Bros., Next, TELE NETWORKS (2) BT, Nthn. Telecom, TEXTS (4) Albion, Allied Text., Baird, Leeds, TRANSPORT (4) GATX, LOF's, Manchester Ship, Powell Duffryn, WATER (3) Northumbrian, Welsh, Yorks., MINES (1) RTZ.

NEW LOWS (6).
BLDG MATLS (1) Russell (A), CONGLOMERATES (1) Jourdan (T), HOTELS & LEIS (1) Tomorrows, INV TRUSTS (1) SPLIT Inc., MEDIA (1) Birkdale, TEXTS (1) House of Lerose.

FINANCIAL TIMES EQUITY INDICES

	Mar 9	Mar 8	Mar 5	Mar 4	Mar 3	Year ago	High	Low
Ordinary share	2294.0	2293.4	2265.9	2256.3	2264.4	2006.6	2294.0	1670.0
Ord. div. yield	4.25	4.28	4.30	4.31	4.30	4.48	5.34	4.23
Earning yld % full	5.94	5.95	5.97	5.98	5.96	8.36	-	-
P/E ratio net	21.04	20.99	20.95	20.92	20.99	19.87	22.01	15.79
P/E ratio nil	19.39	19.34	19.37	19.34	19.40	18.87	-	-
Gold Mines	95.0	94.5	92.6	88.6	88.8	126.5	160.6	60.6

*for 1992/93. Ordinary share index since compilation: high 2294.0 9/3/93 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2314.8	2305.9	2303.7	2299.3	2304.4	2303.7	2297.0	2293.8	2294.0	2314.8	2291.8

Volume	Mar 9	Mar 8	Mar 5	Mar 4	Mar 3	Year ago
SEAQ Bargains	44,492	42,764	36,055	35,907	35,843	26,259
Equity Turnover(£m)†	-	1231.6	1415.3	1431.5	1476.6	853.9
Equity Bargains†	-	45,952	42,775	40,980	40,348	30,842
Shares traded (mil)†	-	536.8	600.9	592.7	624.6	375.5

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2949.9 −7.4	3119.2 −0.5	1435.58 −2.64

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or −	1992/93 high	1992/93 low	Yield Int.
"Shorts" (Lives up to Five Years)						
Treas 10pc 1993‡‡		100⅛xd	−⅛	101⅛	99⅛	9.96
12½pc 1993‡‡		102⅜	−⅛	104⅜	100⅛	12.27
Funding 6pc 1993‡‡		100⅛xd	—	100¼	95⅛	5.99
Treas 13¼pc 1993‡‡		105⅛	—	107⅝	103⅛	13.01
8½pc 1994		102⅛	—	102⅛	96¼	8.28
14½pc 1994‡‡		108⅜	−⅛	110⅛	104⅞	13.35
Exch 13½pc 1994		108¾	—	110⅛	103⅞	12.41
Treas. 10pc Ln. 1994‡‡		105⅛	—	105⅛	98⅛	9.49
Exch 12½pc 1994		109⅝	—	110⅞	103⅛	11.40
Treas 9pc 1994‡‡		105⅛	—	105⅛	96⅝	8.54
12pc 1995		111⅛	—	111⅛	102⅛	10.80
Exch 3pc Gas 90-95		96½	—	96¼	88¼	3.11
10¼pc 1995		109⅝	−⅛	109⅞	99⅛	9.35
Treas 12¾pc 1995‡‡		116⅛	−⅛	116⅞	106⅛	10.92
14pc 1996		120⅛	−⅛	120⅝	109⅞	11.63
15¼pc 1996‡‡		125⅛	−⅛	125⅝	113⅞	12.17
Exch 13¼pc 1996‡‡		119⅛	−⅛	120⅛	108	11.06
Conversion 10pc 1996		111⅛	−⅛	111½	98⅛	8.97
Treas 13¼pc 1997‡‡		122½	−⅛	122⅛	109⅛	10.82
Exch 10½pc 1997		113⅛	−⅛	113⅝	100⅛	9.25
Treas 8¾pc 1997‡‡		108⅛	—	108⅛	94	8.07
Exch 15pc 1997		132⅛	−⅛	132⅛	117⅛	11.35
9¾pc 1998		112⅛	−⅛	112⅛	97⅛	8.67
Five to Fifteen Years						
Treas 7¼pc 1998		103⅛xd	−⅛	103¼	88⅛	7.14
Treas 6¾pc 1995-98‡‡		100⅛	−⅛	100⅞	86⅛	6.69
15½pc '98‡‡		138⅛xd	−⅛	138⅛	123⅛	11.21
Exch 12pc 1998		122⅛	−⅛	122⅝	107⅛	9.79
Treas 9½pc 1999‡‡		112⅛	−⅛	112⅛	97⅛	8.45
Exch 12¼pc 1999		124⅛xd	−⅛	124⅛	109½	9.84
Treas 10½pc 1999		117⅛	−⅛	117⅛	101⅛	8.95
Conversion 10¼pc 1999		116⅛	−⅛	117⅛	100⅛	8.78
9pc 2000‡‡		110⅛	−⅛	110⅛	94⅝	8.13
Treas 13pc 2000		130⅛	−⅛	131	114⅛	9.94
10pc 2001		115⅛	−⅛	115⅛	99⅛	8.69
14pc '98-1		129⅛	−⅛	129½	115⅛	10.83
9¾pc 2002		114⅛	−⅛	114⅝	98⅛	8.54
8pc 2003 (£50 pd)		53⅛	−⅛	53⅛	46⅛	7.76

Continued on next page

EQUITY FUTURES AND OPTIONS TRADING

PROFIT-TAKING after an early advance caused a sharp retreat in stock index futures and the March contract surrendered most of Monday's impressive gain, writes Joel Kibazo.

The enthusiastic overnight performance on Wall Street seemed set to carry through into London when the March contract on the FT-SE opened at 2,985, some 12 points above Monday's strong finish.

This positive mood, however, only lasted a short while before heavy selling drove the contract down. Profit-taking, together with some uncertainty following the UK government's defeat over the Maastricht bill, seemed to be the main reason, although the weakness in the fixed interest rate markets also served to dampen sentiment.

By 11am the contract was trading at 2,866, and but for a brief rally over the lunchtime period, sellers continued to have the upper hand, a factor which also helped to pull the underlying cash market down. The day's low point of 2,950 was seen shortly after the New York opening.

After a brief bout of short-covering, March ended at 2,959, down 14 from its previous close and around 8 points ahead of its fair value premium to cash of minus 2. Turnover was 10,592 contracts.

It was a dull day in traded options and volume was only 29,080 lots. The Euro FT-SE saw business of 3,049 and Marks and Spencer 3,065.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		18¾xd	+⅝	21¼	14⅝	15,326	2.6
Allegheny & W	♥	553p	—	653p	226p	287.4	3.7
Amdahl		566p	+13	1158p	438p	635.6	1.2
Amer Cyanamid		35	+⅛	38⅝	28⅝	3,155	3.2
Amer Express		18½xd	+⅜	18½	10⅞	8,843	3.8
Amer T & T		40⅝xd	+1⅜	40⅝	20¼	54,026	2.2
Ameritech		52¼	+1	52¼	32½	22,877	4.8
BankAmerica		36¼xd	+½	37⅜	19⅞	12,447	2.7
Bankers NY		50¼xd	+1⅛	50⅞	28⅝	4,018	4.3
Bell Atlantic		38½	+⅝	38¼	23¼	16,667	4.6
BellSouth		39⅛	+⅝	39⅝	25	19,313	4.9
Bethlehem Steel	♥	12⅞xd	+⅜	13¼	5¼	1,114	–
Bowater		1646pxd	+90	1682p	905p	890.4	1.7
CPC	h	34⅝xd	+⅜	34⅝	22⅝	5,244	2.4
Cadiz Land Inc	♥	115p	—	342p	108p	–	–
California Engy		1435p	+9	1435p	591p	281.3	–
Chase Manhattan		23xd	+½	23	9⅛	3,634	3.6
Chrysler		27⅞xd	+⅞	28⅝	6¼	8,034	1.5
Citicorp		18¼xd	+½	18⅝	5⅝	6,854	–
Colgate-Palm		45⅞xd	+⅜	45⅞	25¼	7,254	1.9
Cont'l Bank		1681p	+39	1691p	499p	1,698	2.5
Dana		32½xd	+1⅛	34⅞	14⅞	1,490	3.4
Data General		946p	+22	1094p	384p	261.9	–
Decora Inds	♥	146p	—	146p	66p	–	–
Dun & Brad		39¾	+⅝	40⅝	27⅝	7,082	3.9
Eaton		59	+1	59	32½	2,048	2.6
Echlin		17½xd	+⅛	18⅝	7⅝	1,803	2.8
FPL		28⅝xd	+⅛	27⅝	17⅜	4,871	6.4
Ford Motor		34⅝	+1⅝	36⅜	15	16,901	2.0
Gen Elect		60⅝xd	+⅜	61¼	36¼	51,776	2.9
General Host	♥	686p	—	723p	360p	–	3.7
Gillette		41⅜xd	+⅛	41⅜	23⅜	9,188	1.2
Hasbro		28⅝	—	23½	12⅝	1,815	0.8
Honeywell		22⅜xd	+⅛	24⅝	16	3,138	2.7
Houston Inds		32¼	+½	33¼	22	4,241	6.3
IBM		36⅝xd	+⅛	54½	29⅝	22,181	3.8
Ingersoll-Rand		23½xd	+⅛	25	12⅝	2,459	2.0
Lockheed		41⅛	+1¼	42½	22⅛	2,538	3.5
Lowe's	h	2195p	+51	2195p	815½p	1,691	0.9
Merrill Lynch		49½xd	+1	49½	24⅝	5,088	1.7
Morgan (JP)		46⅝xd	+1	46⅛	28⅞	8,854	3.6
Morris (Philip)		44⅛xd	-⅞	52¼	37⅜	40,530	2.7
NYNEX		63¼	+⅛	64⅛	39⅝	13,042	5.0
Pall		12⅛xd	-¼	15	9⅝	1,404	1.8
Pennzoil		40xd	+⅛	40¼	23⅛	1,626	5.2
Quaker Oats		46⅛xd	-⅞	48⅛	28	3,465	2.7
Rockwell		20⅞xd	+⅜	21⅛	11½	4,509	3.1
Rep NY		35½xd	+1	35½	20⅝	1,858	2.1
Sears, Roebuck		37½xd	+⅝	37⅞	19⅞	12,948	2.9
Sthwestern Bell		52	+⅛	52⅝	31⅛	15,581	3.9
Sun Co		18⅞xd	+⅛	21⅛	12⅛	2,065	8.4
Tenneco		32⅛xd	+⅝	32¼	16½	4,160	3.4
Texaco		43¼	-⅛	44¼	30⅜	11,319	5.0
Time Warner	h	25⅛xd	+¼	25⅞	11½	9,497	0.8
Unilab	♥	450p	—	587p	320p	204.9	–
URS Intl. 1c	♣	0½pd	—	1¼p	0½p	0.51	–
US West		29¼	—	30¼	18¾	12,882	5.0
Varity		2169p	+58	2169p	632p	655.9	–
Waste Manage		26⅛xd	+⅛	27⅞	16⅞	12,897	1.4
Whirlpool		3710pxd	+68	3710p	1766p	2,893	2.0
Woolworth	♥	21⅛	+⅞	23	13¼	2,803	3.6

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

	Notes	Price	+ or -	1992/93 high	low	Mkt Cap£m	Yld Gr's
[illegible]							
Glencar Expl IE	††	7	—	16	6	1.28	-
Greenwich Res	♣□	16	—	16½	2	11.6	-
Hemlo Gold CS		$45⅝	—	$5½	$3½	445.8	2.2
Ivernia West IE	‡‡□	43	—	53	30	21.6	-
Kells Minis IE	††	8	—	42	6	0.19	-
Kenmare	✤□	7	—	8	2¼	6.72	-
Malinga Res.		17½	—	48	8	1.93	-
Navan Res IE	♣	29	+½	34	16	3.89	-
5pc Ln Notes		31	—	34	25	5.64	-
Oryx Gold		57	—	103	46¼	-	-
Plateau		38	—	13	3	1.37	-
RTZ	□	700	-7	704	469	7,021	3.7
Vizcaya	✤□	4¼	-¼	6¼	1	2.54	-

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. E Auction basis. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1993. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1993-94. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xo ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT8485. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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Sharp (Albert E.) & Co (1000)F
Admin. 5 Rayleigh Rd Hutton, Brentwood Essex.
Enquiries: 0277 227300 Dealing: 0277 261010

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AES European	5	109.70	110.30	116.10	+0.80	1.39
AES Intl Bond & Com	5	127.20	127.60	134.30	+0.40	5.49
AES Pooled Pension §	7	151.7	156.6	166.4	----	–
AES Smaller Cos	5	61.68	63.57	66.92	+0.27	1.90
AES UK General	5	119.60	121.50	127.90	+1.10	2.70

Sheppards Unit Trust Mngmt Ltd (1200)F
1 White Hart Yard, London Bridge SE1 071 407 5966

Income	5	396.22	396.22	419.38	+3.22	4.94
Global Inc	5	58.55	58.55	62.29	+0.30	3.91
Brit Leaders	5	323.32	323.32	343.96	+4.05	2.98
Intl Leaders	5	191.27	191.27	203.48	+2.61	1.62
Fxd Int Bal Securities §	3¼	53.51	54.78	56.92	+0.34	2.99

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3003

European Trust	6	53.37	53.46	56.87	+0.38	1.32
Far Eastern Tst	6	57.04	57.90	61.59	+0.19	0.87
Smaller Cos	5	142.8	147.2	156.6	+0.7	1.86

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS. 071-637 5377

S & W American §	5	276.0	276.6	292.6	+1.10	0.85
S & W Capital	5	118.0	118.0	126.3	+1.00	1.80
S & W Cash §	0	102.66	102.66	102.66	+0.04	5.83
S & W European	5	116.5	116.6	123.4	+0.50	1.60
S & W Far Eastern	5	123.1	124.5	131.4	+1.40	0.00
S & W Growth	5	125.3	126.7	134.1	+0.80	1.59
S & W Income	5	112.7	113.9	120.4	+0.70	4.73
S & W Magnum	5	124.7	124.7	133.7	+1.30	1.68
S & W Smllr Sees	5	303.3	309.4	327.3	+0.40	0.64
S & W Throgmorton	5	144.6	144.6	154.9	+1.30	1.66

Societe Generale Touche Remnant (1200)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 071-410 4029

American Gwth	5¼	85.29	85.29	91.21	+1.46	0
Eur Sp Sits Acc	5¼	46.02	46.02	48.91	+0.25	0
Eur Sp Sits Inc	5¼	43.47	43.47	46.20	+0.25	0
Far East Opps Inc	5¼	30.36	30.36	32.76	-0.09	0
Far East Opps Acc	5¼	31.19	31.19	33.66	-0.09	0
General Growth	5¼	99.09	99.09	106.20	+0.90	2.35
General Growth Acc	5¼	101.50	101.50	108.90	+1.00	2.37
Global Tech	5¼	119.70	119.70	129.30	+1.70	0

Whittingdale Unit Tst Mgmt Ltd (0830)F
2 Honey Lane, London EC2V 8BT 071-600 0462

Gwth Income	2¼	94.87	94.87	97.09	-0.18	0.00
Short Dtd Gilt	1¼	110.4	110.4	111.8	----	3.50
U.S. Govmnt Bond	1¼	0.7115	0.7115	0.7208	----	0.00
Gilt Income	4	53.29	53.29	55.45	+0.03	0.00
Gilt Growth	4	66.34	66.34	69.05	+0.03	0.00
City Reserve	0	52.29	52.29	52.29	+0.01	5.83

Woolwich Unit Trust Managers Ltd (1700)H
2 White Oak Square, Swanley BR8 7AG 081 298 4000

Stockmarket Fd F	5	66.97	67.20	71.48	-0.11	2.13

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gros
Int'l Expt Mar 3	658.2	680.1	....	1.02

Baring Investment Mngmt Ltd
155 Bishopsgate, London EC2M 3XY
071 214 1050 (general enquiries) 071 214 1004 (dealing)
Charitable Funds

UK Growth & Income	52.84	54.73	----	5.0
Income Plus	50.07	51.10	----	7.4

James Capel Fund Managers Ltd

European Exempt	£112.519	113.738	+0.786	2.94
Japanese Exempt	£118.724	120.6	+2.472	–
Managed Exempt	£139.159	139.74	+0.665	3.00
North American Exempt	£107.475	109.108	+1.499	1.10
Pacific Exempt	£116.991	118.937	+0.917	2.84

Cent. Bd. of Fin. of Church of England‡‡
2 Fore Street, London EC2Y 5AQ 071-588 1815

Inv Fund Feb 28	604.15	609.40	----	4.74
Fxd Int Sec Feb 28	155.70	156.45	----	9.27

Deposit Fund: See Money Market Trust Funds.

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INSURANCES

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Continued on next page

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	+ or -	Yield Gross
Prolific Life & Pensions Ltd				
Stramongate, Kendal, Cumbria LA9 4UB 0539 733733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Adventurous Mngd	169 6	180 5		-
Balanced Gwth Mngd	692.2	736 4		-
Cautious Mngd	131 5	139 9		-
Cash Fd	318.5	335 7		-
Property Fund	217 1	231.0		-
Gilt Fund 20	454.5	483 6		-
Equity Fund	795 6	846 4		-
Fxd Int. Fund	425.6	448 5		-
International	354.1	376 8		-
High Income	626 8	666 9		-
Technology	467 7	497.6		-
North American	484 7	515 7		-
Far East	464 2	493 9		-
Special Sits	569 1	605.5		-
Extra Inc Fd	337 1	358 7		-
American Income	195 4	207 9		-
Convertible & Gilt Fd.	163 4	173 9		-
European Fund	128 2	136 4		-
Pref & Fixed Int.	115 9	123 4		-
UK Blue Chip	121 2	127.8		-
Recovery Fund	120.9	127 5		-
Equity Income Dist.	112.2	119.4		5.08
Managed Dist.	105 8	112.6		5.77
High Yield Dist.	106 0	111 8		8.00
Pension Funds				
Adventurous Mgd Pens Acc.	180.8	190 4		-
Balncd Gth Mgd Pens Acc.	817.0	860 1		-
Cautious Mngd Pens Acc	152 7	160 8		-
Building Soc Acc	367 8	387 2		-
Property Pens Acc	296 4	312 0		-
Fix Int. Pens. Acc	678 3	714 0		-
Equity Pens Acc.	1045 0	1100 1		-
International Pens Acc.	333 0	350.6		-
High Inc Pens Acc.	706 9	744 2		-
Tech Pens Acc	331 3	348 8		-

	Bid Price	Offer Price	+ or -	Yield Gross
Reliance Mutual				
Reliance House, Tunbridge Wells, Kent				
Deposit Acc Fd	169 4			
Equity Acc Fd.	417 7			
Managed Acc Fd	367 3			
Prop Fd (1st Issue)	-			
Prop Acc Fd (2nd Iss)	125.9			
Unit Trust Mn Fd	177 8			
RL Pension Funds				
Deposit Acc.	246.8			
Equity Acc.	315.9			
Fixed Int Acc	254.7			
Gilt Indx Lnk Acc.	191.8			
Managed Acc.	412.6			
J Rothschild Assurance PLC				
J Rothschild House, Dollar Street, Cirencester				
Telephone: 0285 640302				
Life Funds				
Income Distribution.	98 10			
JRA/M&G Managed	121 6			
JRA/Scottish Amicable Mngd	117 1			
JRA/St James's Place Mngd	124.8			
Deposit	100.6			
Far East.	128.2			
Gilts	110 8			
Greater European	118.1			
North American.	140 2			
UK Equity	122.4			
Pension Funds				
JRA/M&G Managed cap.	120 6			
JRA/M&G Managed acc.	125 4			
JRA/Scottish Amicable Mngd cap.	117.4			
JRA/Scottish Amicable Mngd acc.	122 0			
JRA/St James's Pl Mngd cap.	131.6			
JRA/St James's Pl Mngd Acc.	136 8			
Deposit cap	100 4			
Deposit acc.	104 4			
Far East cap	126.3			

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 873 4378.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Grwth	£22.18	23.36	....	-
Intl $US Grwth	$18.53	19.52	....	-
High Income Gilt	£27.52	28.53	....	-
International Equity	£22.84	24.06	....	-
International Bond	£24.71	25.62	....	-
Managed Currency	£28.13	28.42	....	-
Sterling Currency	£26.87	27.15	....	-
US$ Currency	$37.89	38.29	....	-
Irish £ Currency	I£15.91	16.08	....	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.42	11.90		-
B.F. Offshore Inc Fd Ltd	£12.78	13.32		-
IMC Offshore Fd.	£10.01	10.84	....	-
Nolan Miles W/W S/S	£11.62	11.95	....	-

JERSEY (SIB RECOGNISED)

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		I£– 22.6868	22.6475	-	-
Managed Capital Bd	5		I£– 22.4643	22.4940	....	-
AIB Grafund Currency Fund Limited						
Stlg Mngd Currency	5		£–	11.1210	....	-
Sterling Currency Fd	5		£–	10.6870	....	-
Ecu Currency	5		Ecu–	11.1204	....	-
US Dollar Mngd Curr	5		$–	21.7782	....	-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Unrestricted World Inv Port	£2.622	2.789	....	1.21
Dealing Weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10.33	10.38	-0.02	9.05
Minerals, Oils Res. Shrs. Fd. Inc.				
Morns Mar 4	$13.80	14.09	.	2.84
For Nat. Westminster see Coutts & Co				
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Mar 4	$35.95	38.25	....	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd.	$3.8144	4.0536		-
Offshore Japanese Grwth Fd	$0.9704	1.0313		-
Offshore Am Grwth Fd.	$6.7988	7.2251		-
Offshore Emerging Cos	$4.2081	4.4720		-
Offshore European Fd.	$1.5925	1.6499		-
Offshore Asia Smaller Mkts	$0.9502	1.0000		-
Offshore Global Bond	$1.0110	1.0532		-
Offshore Global Bond Acc	$1.0110	1.0532	....	-
Offshore Far Estrn Fd.	$2.5886	2.7510		-
Offshore UK Growth Fd.	$2.1160	2.2487		-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Mar 5		54.30	....	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£16.46	16.71	....	1.43
LFM Defensive Strtgy	£11.68	12.32	....	-
Royal Trust Intl Fd Mngt Ltd				
Sterling Fxd Int (z)+	100.40	101.50	+0.20	6.80
International Bond (z)+	$1.158	1.170	+0.008	5.15
(Prices on Mar 3. Next dealing Mar 10				
Schroder Mngt Services (Jersey) Ltd				
Schroder Money Funds Ltd				
Sterling		£36.9896	....	5.18
US $		$48.9422	....	1.79
D-Mark		DM84.6694	....	7.50
Swiss franc		SFr78.2359	....	4.43
Yen		Y5185.16	....	2.15
Scimitar Worldwide Money Fund Ltd				
Sterling		£28.8927	+0.0045	6.97

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lira suffers setback

POLITICAL upheaval in Italy sent the lira sharply lower against the D-Mark yesterday, *writes Emma Tucker*.

Rumours that Mr Giuliano Amato, the prime minister, might have to resign prompted a dramatic slide in the currency from L948.8 per D-Mark at the close on Monday, to L964 at last night's close.

Mr Mark Brett, director of bond and currency strategy at Barclays de Zoete Wedd, said the market had reacted negatively to the fact that Italians were selling the lira heavily.

"The markets thinks the Italians are in the know," said one analyst.

The Bank of Italy intervened to prop up the currency as speculation about Mr Amato's future grew. He is in trouble because of a government-proposed decree which he co-authored that would take immediate effect and would allow corruption suspects to avoid jail.

Expectations of monetary easing by the Bundesbank dominated the rest of the day's trading. One trader said forecasts for German growth were being downgraded by the day, as analysts caught up with the extent of corporate grief in Germany.

The dollar struggled in late trading after a lurch upwards in the early afternoon. Analysts said there was nothing significant in the rise, although news that IG Metall, the German metal and engineering workers' union, had called for token strikes in east Germany, provided some support for the currency. The dollar closed in London up half a pfennig on the day at DM1.6675.

Sterling weathered the government's defeat over the Maastricht treaty on Monday night relatively well. It slipped a pfennig on the day but dealers reported that overseas investors were quick to buy the pound back from a DM2.3854 low.

Mr Brett said fears about the UK's role in Europe were "overplayed", pointing out that Monday's defeat did not threaten ratification of the treaty, but merely delayed it. Although overseas investors are confused by the UK parliament's machinations over Maastricht, dealers reported that sentiment towards the pound was generally "more kind".

However, many analysts doubt that the pound will be able to break above DM2.41 before the budget. Suggestions that they may raise taxes could cause the currency to slip.

"If there is anything too aggressive in the budget on fiscal policy, the currency might wobble because the market will start to expect further interest rate cuts," said Mr Brett. The pound closed at DM2.3925.

The franc was marginally lower against the D-Mark. It closed at FFr3.391 compared with the previous close of FFr3.389. The peseta was also slightly weaker, closing at Pta71.12 against the D-Mark.

£ IN NEW YORK

Mar.9	Latest	Previous Close
£ Spot	1.4350 - 1.4360	1.4418 1.4428
1 month	0.37-0.36pm	0.38 0.37pm
3 months	0.98-0.96pm	0.97 0.95pm
12 months	2.75-2.65pm	2.74 2.67pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Mar.9	Previous
8.30 am	77.4	77.3
9.00 am	77.4	77.3
10.00 am	77.6	77.5
11.00 am	77.5	77.6
Noon	77.5	77.6
1.00 pm	77.5	77.6
2.00 pm	77.4	77.6
3.00 pm	77.3	77.6
4.00 pm	77.3	77.6

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

Korea(Sth)	1136.45 - 1154.75	789.70 - 795.90
Kuwait	0.43850 - 0.43950	0.30520 - 0.30570
Luxembourg	49.25 - 49.35	34.35 - 34.45
Malaysia	3.7535 - 3.7635	2.6150 - 2.6160
Mexico	4.4635 - 4.4665	3.1050 - 3.1070
N.Zealand	2.7185 - 2.7220	1.8910 - 1.8935
Saudi Ar	5.3825 - 5.3935	3.7495 - 3.7505
Singapore	2.3610 - 2.3670	1.6445 - 1.6455
S.Af (Cm)	4.5680 - 4.5785	3.1785 - 3.1805
S.Af (Fn)	6.5765 - 6.5910	4.5750 - 4.5850
Taiwan	37.25 - 37.40	25.90 - 26.00
U.A.E.	5.2685 - 5.2810	3.6715 - 3.6735

*Floating rate. Iran Official rate £98.50 $66.30

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 9	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	142.150	138.414	−2.63	3.23	45
Irish Punt	0.809996	0.797846	−1.50	2.05	57
Dutch Guilder	2.20045	2.18232	−0.82	1.35	29
Portuguese Escudo	180.624	179.230	−0.77	1.30	12
Belgian Franc	40.2802	39.9703	−0.77	1.29	26
D-Mark	1.95294	1.94166	−0.58	1.10	22
Danish Krone	7.44934	7.44744	−0.03	0.54	−10
French Franc	6.54988	6.58359	0.51	0.00	−42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.73-1.68pm 12 Month 2.73-2.63pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta	Ecu
£	1	1.435	2.393	168.5	8.115	2.215	2.690	2308.				
$	0.697	1	1.668	117.4	5.655	1.544	1.875	1608				
DM	0.418	0.600	1	70.41	3.391	0.926	1.124	964.5				
YEN	5.935	8.516	14.20	1000.	48.16	13.15	15.96	13697				
F Fr.	1.232	1.768	2.949	207.6	10.	2.730	3.315	2844				
S Fr.	0.451	0.648	1.080	76.07	3.664	1	1.214	1042				
N Fl.	0.372	0.533	0.890	62.64	3.017	0.823	1	858.0				
Lira	0.433	0.622	1.037	73.01	3.516	0.960	1.166	1000.				
C $	0.560	0.803	1.339	94.29	4.541	1.240	1.505	1292				
B Fr.	2.028	2.911	4.854	341.8	16.46	4.493	5.456	4682				
Pta	0.588	0.843	1.406	99.00	4.768	1.301	1.580	1356				
Ecu	0.811	1.164	1.941	136.7	6.582	1.796	2.182	1872				

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	●Smith & Williman Secs	6
Bank of Cyprus	6	●Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	●Hambros Bank	6	Unibank plc	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

MONEY MARKETS

Futures drift lower

EUROPEAN CURRENCY futures drifted lower yesterday in generally quiet trading.

Although the market is still expecting the Bundesbank to ease its officially posted rates on Thursday next week, one dealer commented that expectations had raced ahead too quickly.

"I think there has been too much expectation priced into the market and people are now reining back," he said.

The June Euromark futures contract eased slightly from an open of 93.12, leading to a sharper fall in French franc futures.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The June Pibor contract dropped from 91.58 at the open to around 91.52.

Sterling futures also slipped on the day, with a weaker pound and concern over the government's defeat in the House of Commons over the Maastricht treaty compounding the downwards drift.

Few in the UK money markets expect a rate cut on budget day next week. Even afterwards, dealers are not optimistic that the authorities will ease policy at an early stage, especially while the pound is languishing at around DM2.40.

The market appears to have taken on board comments by the Bank of England that it does not want to see the pound significantly lower than current levels.

One dealer complained that each time the pound recouped some of its losses, a full scale recovery was scuppered by political mishaps.

"So long as the government keeps shooting itself in the foot with the pound, the longer it is going to be before they can cut rates," he said.

The June short sterling contract, which opened at 94.56 was trading around 7 basis points lower at the close.

After the Bank of England unexpectedly forecast a cash surplus on Monday, yesterday saw the usual forecast for a liquidity shortage. Ironically, the market was reluctant to part with paper and overnight rates were forced up to around 8 per cent, compared with Monday's 4 per cent. One week money firmed to just over 6 per cent from 5½ per cent. Further out there was little movement. The key three-month interbank rate was unchanged at around 5 5/16 per cent on the offered side.

The shortage, which was revised during the day to £1.3bn was relieved in the late afternoon when the Bank provided late assistance.

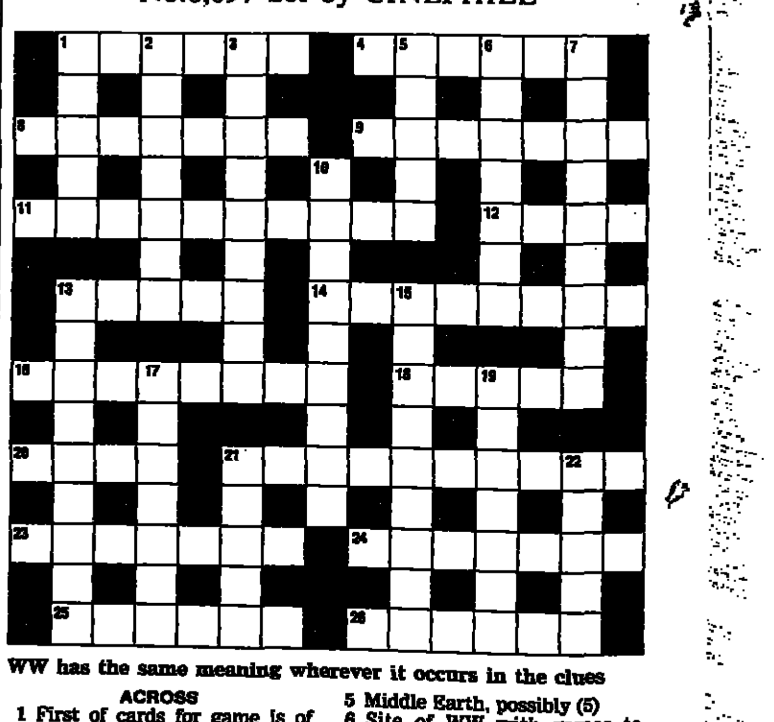
FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.8,097 Set by CINEPHILE



WW has the same meaning wherever it occurs in the clues

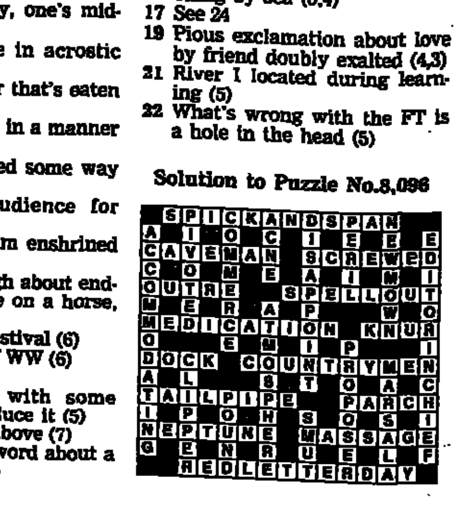
ACROSS

1 First of cards for game is of little value (6)
4 Man in the police made one of the WW (6)
8 Sheep straying at American site of WW (7)
9 Very small part of capital, site of WW (7)
11 One way to tell a venom's venomous? (10)
12 Head spread? (4)
13 Expend, uselessly, one's middle sound (5)
14 Sort of dialogue in acrostic form (8)
16 Guide to monster that's eaten mother (8)
18 A right acquired, in a manner of speaking (5)
20 A service returned some way off (4)
21 Entertaining audience for WW (10)
23 Needing rest, I am enshrined in WW (7)
24, 17 WW gets tough about endless heart disease on a horse, say (7,7)
25 Oriental flower festival (6)
26 Imperialist site of WW (6)

DOWN

1 Some coconuts with some practice will produce it (5)
2 Economise in 13 above (7)
3 WW has a quiet word about a high-class fish (9)
5 Middle Earth, possibly (5)
6 Site of WW with games to play: I'm nothing else (7)
7 Result of weeding out with pole by horticulturalist (no centre half) (5,4)
10 Character of trippers on a generator (9)
13 Employees were dressed in frock, strangely, inside (4,5)
15 Toast chap prepared for travelling by sea (5,4)
17 See 24
19 Pious exclamation about love by friend doubly exalted (4,3)
21 River I located during learning (5)
22 What's wrong with the FT is a hole in the head (5)

Solution to Puzzle No.8,096



WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

JAPAN [illegible]

AUSTRALIA [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

CANADA

TORONTO

3:45 pm March 9

Quotations in cents unless marked $

[illegible]

MONTREAL

3:45 pm March 9

[illegible]

Total Sales 23,187,300 shares

INDICES

NEW YORK

DOW JONES	Mar 8	Mar 5	Mar 4	Mar 3	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3469.42	3404.58	3398.91	3404.04	3469.42 (8/3/93)	3136.58 (9/10/92)	3469.42 (8/3/93)	41.22 (2/7/32)
Home Bonds	106.10	105.95	106.29	106.17	105.29 (4/3/93)	98.41 (30/3/92)	105.29 (4/3/93)	54.99 (1/10/81)
Transport	1582.82	1538.45	1520.11	1513.67	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	241.30	238.73	241.30	241.61	241.61 (3/3/93)	200.74 (8/4/92)	241.61 (3/3/93)	10.50 (8/4/32)

DJ Ind. Day's High 3476.99 (3447.81) Low 3401.34 (3373.25) (Theoretical♦)
Day's High 3470.77 (3433.22) Low 3404.58 (3392.16) (Actual♦)

STANDARD AND POOR'S

	Mar 8	Mar 5	Mar 4	Mar 3	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	454.71	446.11	447.34	449.26	454.71 (8/3/93)	394.50 (8/4/92)	454.71 (8/3/93)	4.40 (1/6/32)
Industrials	523.64	513.29	513.84	516.36	523.64 (8/3/93)	470.91 (8/4/92)	523.64 (8/3/93)	3.62 (21/6/32)
Financial	44.40	43.40	43.63	43.84	44.40 (8/3/93)	32.40 (8/4/92)	44.40 (8/3/93)	8.64 (1/10/74)
NYSE Composite	250.15	245.99	246.53	247.41	250.15 (8/3/93)	217.92 (8/4/92)	250.15 (8/3/93)	4.46 (28/4/42)
Amex Mkt. Value	416.73	413.80	412.84	413.47	418.99 (12/2/92)	384.85 (8/10/92)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	687.23	681.37	680.73	683.92	708.85 (4/2/93)	547.84 (26/8/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 5	Feb 26	Feb 19	year ago (approx.)
Dow Industrial Div. Yield	2.99	3.02	3.07	2.84
	Mar 3	Feb 24	Feb 17	year ago (approx.)
S & P Industrial div. yield	2.48	2.53	2.55	2.81
S & P Ind. P/E ratio	26.18	26.88	26.51	26.61

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Humana	3,994,100	6⅞	+ ¼
Philip Morris	3,965,500	63½	- 1⅛
Sprint	3,904,100	30⅞	+ 1⅝
Wal-Mart	3,377,600	33¼	+ 1
IBM	3,356,400	56	+ ¼
Chrysler	2,751,500	39⅜	+ ⅜
Am T & T	2,721,500	58¾	+ 2¾
Amer Express	2,716,500	26⅝	+ 1
Merck	2,716,000	38¼	+ ¼
Glaxo	2,482,100	19	- ¼

TRADING ACTIVITY

† Volume (Millions)	Mar 8	Mar 5	Mar 4
New York SE	274.560	247.130	230.780
Amex	14.379	14.198	14.616
NASDAQ	219.943	214.200	232.045
NYSE			
Issues Traded	2,500	2,484	2,491
Rises	1,513	912	957
Falls	502	958	919
Unchanged	485	614	615
New Highs	256	139	233
New Lows	13	9	13

CANADA

TORONTO	Mar 8	Mar 5	Mar 4	Mar 3	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2895.99	2819.56	2815.09	2828.35	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3551.04	3524.49	3501.30	3467.18	3666.00 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1834.13	1816.03	1801.10	1786.82	1837.59 (16/1/92)	1663.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Mar 9	Mar 8	Mar 5	Mar 4	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1633.4	1617.1	1613.6	1622.9	1684.50 (22/5/92)	1357.20 (16/11/92)
All Mining (1/1/80)	638.0	630.5	625.0	626.9	726.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	357.78	358.52	357.54	355.17	458.57 (24/2/92)	291.41 (13/8/92)
Traded Index (2/1/91)	855.87	854.75	858.31	854.15	1089.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1236.12	1227.85	1220.19	1204.71	1236.12 (9/3/93)	1046.07 (2/8/92)
DENMARK						
Copenhagen SE (3/1/83)	283.71	283.30	282.09	280.51	365.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	982.1	992.7	1004.6	996.3	1004.60 (5/3/93)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	533.30	530.94	531.41	528.85	565.93 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	2009.69	2004.25	1995.12	1986.75	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	673.90	666.53	667.42	663.89	725.28 (25/5/92)	585.61 (12/10/92)
Commerzbank (1/12/53)	1898.20	1878.50	1881.50	1871.50	2043.80 (25/5/92)	1594.60 (12/10/92)
DAX (30/12/87)	1713.13	1694.62	1692.82	1687.40	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	6508.0	6482.16	6502.81	6467.80	6508.00 (9/3/93)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1397.43	1373.47	1365.60	1368.45	1489.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	511.02	528.13	535.47	536.72	551.59 (6/2/92)	354.93 (18/9/92)
MIB General (4/1/93)	1128.0	1165.0	1182.0	1186.0	1186.00 (2/3/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	17848.30	17686.47	16817.70	16759.61	23801.18 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1339.77	1330.80	1268.31	1265.11	1763.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1683.71	1671.99	1680.78	1688.26	2459.85 (8/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	631.79	637.93	638.34	636.67	660.35 (5/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS Tot.Rtn.Gen (End 1983)	325.8	323.5	322.0	318.7	325.60 (9/3/93)	274.00 (8/1/92)
CBS All Shr (End 1983)	219.1	217.7	216.7	214.5	219.10 (9/3/93)	189.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	759.58	743.09	727.44	711.21	772.74 (18/5/92)	532.43 (25/9/92)
PHILIPPINES						
Manila Comp (2/1/85)	1529.50	1527.48	1543.15	1539.85	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	419.62	419.80	419.87	419.78	421.27 (24/2/93)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1012.0♥	998.0	993.0	933.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4449.0♥	4421.0	4405.0	4404.0	4589.00 (4/6/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	636.23	625.62	615.57	622.22	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	241.14	240.54	238.52	235.85	266.51 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1033.70	1039.00	1031.20	1014.50	1039.00 (8/3/93)	639.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	942.6	934.0	933.6	935.7	947.50 (15/2/93)	748.50 (8/1/92)
SBC General (1/4/87)	728.4	723.6	723.8	724.4	728.40 (9/3/93)	596.40 (25/8/92)
TAIWAN**						
Weighted Price (30/6/66)	4474.47	4601.58	4731.85	4737.32	5391.63 (30/1/92)	3098.43 (9/1/93)
THAILAND						
Bangkok SET (30/4/75)	893.71	(c)	898.74	903.47	998.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	524.8*	523.0	512.5	513.7	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/30)	950.21	950.71	948.94	941.95	976.55 (25/5/92)	772.52 (5/10/92)

**Saturday March 6: Taiwan Weighted Price 4,723.68, Korea Comp Ex. 605.93
♥ Subject to official recalculation.
*Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, March 9, 1993

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	50.0m	317	+10
Isuzu Motor	38.2m	402	+28
NEC Corp	22.8m	767	+56
Nikko Kyodo	17.6m	467	+58
Kokusai Elec	17.0m	890	+64
Ricoh	14.2m	606	+11
UBE Inds	11.9m	390	+30
Hitachi	11.9m	747	+28
NKK	8.0m	285	+8
Kaken Pharm	8.8m	1400	+10

4 pm close March 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	10¾	AAR Corp	0.48	3.7	24	114	13¼	13	13⅛	+¼
28½	18	A L Labs A	0.18	0.8	138	500	22½	21¾	22⅛	-⅛
69¾	52⅞	AMP Inc	1.60	2.7	21	1005	60⅛	59⅝	59⅝	-⅛
80¼	54⅜	AMR			9	6236	61½	60⅝	60⅞	+⅜
2⅜	1⅜	ARX			10	7	1¾	1¾	1¾	
53½	29⅞	ASA	2.00	5.5	24	341	36½	36⅛	36½	+⅛
34¼	22⅞	Abbott Lab	0.60	2.4	17	11540	25¾	25¼	25⅜	-1
13⅞	10¼	Abitibi Pr	0.50	4.7	3	7	10¾	10¾	10¾	
11⅝	10⅛	ACM Gvt In x	0.96	8.6		651	11¼	11	11⅛	-⅛
10⅜	9	ACM GvOpp x	0.79	8.4		241	9½	9⅜	9⅜	-⅛
9¾	8½	ACM Gvt Sp x	0.79	8.3		335	9½	9⅜	9½	
11⅜	9⅞	ACM Gvt Se	0.98	8.4		794	u11⅜	11¼	11⅜	+⅛
10⅞	8⅝	ACM Man x	1.08	10.2		7	10¾	10⅝	10⅝	
12⅞	8⅝	ACM Managd x	0.78	8.5		155	9¼	9⅛	9⅛	
11¾	4¾	Acme Cleve	0.40	5.0	17	38	8	7⅞	8	
9¾	3¾	Acme Elect			662	35	6⅝	6½	6⅝	+⅛
33¼	12⅛	Acuson			12	1077	13¼	12⅞	13⅛	+⅛
22¼	18⅛	Adams Expr	0.48	2.3	1	101	21⅜	21¼	21¼	+⅛
52½	29½	Adv Micro x	3.00	5.8		385	52¼	51⅝	51⅝	-⅝
24⅛	7½	Adv Micro P	3.00	12.7	9	6188	u24¼	23½	23⅝	-⅜
9⅛	4⅞	Advest Grp	0.16	2.1	15	341	7¾	7½	7½	
47	33	Aegon ADR	1.35	2.9	8	49	u47⅝	47⅛	47¼	+¼
53¾	38	Aetna Lf	2.76	5.6	982	1174	49½	49⅛	49⅛	-⅛
14½	8⅛	AFM A	0.24	1.9	30	1437	12⅝	12⅛	12⅜	+⅛
36⅞	24	Aflac	0.44	1.2	15	16305	u36⅞	35⅛	35⅜	-1¼
22⅛	13	Ahmanson	0.88	4.2	10	3146	21	20⅞	20⅞	-¼
22½	4	Aileen Inc			23	70	6⅝	6½	6½	
49½	36½	Air Pr Chm	0.86	1.9	18	2057	46	45⅜	45⅞	+⅝
29¾	12½	Airbne Frt	0.30	1.3	191	826	23½	22¾	23	+⅝
24¼	11¼	Airgas Inc			33	311	24	23⅞	23⅞	-⅛
12⅞	6⅛	Airlease	1.60	13.3	9	68	12	11¾	12	+⅛
104	99	AlaPw8.16 x	8.16	8.0		z100	103¼	102½	102½	

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

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Price data supplied by Telekurs

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganized under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close March 9

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NASDAQ NATIONAL MARKET

4 pm close March 9

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
A&WBrands	0.29	18	780	21	20¾	20¾	
ACC Corp	0.12	31	1310	16½	16¼	16½	+⅛
Acclaim E		29	3184	20⅛	19¼	19⅜	-⅝
Acme Mtls		32	58	17	16	17	+¼
Acxiom Cp		31	114	17¾	16¾	17¾	+1
Adaptech		15	3880	27	26½	26⅞	-¼
ADC Tele		21	1043	44½	43½	43¾	
Addington		150	626	15½	14¾	15	-¼
Adia Serv	0.16	18	16	19½	17½	17½	
Adobe Sys	0.32	24	5051	47	45	45¼	-¼
Advance C		14	2480	u12¼	11⅝	12¼	+⅝
Adv Logic		40	164	3¼	d3	3¼	+¼
Adv Polym		15	809	8⅛	7⅛	7¼	-½
AdvTchLab		26	297	18¼	17¾	17¾	-½
Advanta x	0.20	18	1718	37¾	36	37½	+1½
Advo Sys		23	621	26⅞	25⅝	26⅞	
Affymax		20	1036	16¼	15½	15¾	-½
Agency Re		11	809	8	7¾	7⅞	-⅛
AgnicoEa	0.10	20	223	4½	4⅜	4½	
Akzo ADR	1.70	8	149	41	40⅝	40⅞	+⅜
Aldus Cp		42	2983	20¾	19¼	19¾	-⅝
Alex Bald	0.88	14	434	24¾	23½	24¼	+¾
Allegh &W		15	31	u8	7⅝	7¾	+⅛
Allen Org	0.48	12	z100	31½	29½	29½	
Allen Ph		8	422	10	9¼	9¾	
AlldCapII	1.00	18	40	18¾	18¼	18¼	
Alld Cap	1.32	13	164	15¾	14½	15¼	+¼
Aloette C	0.32	12	4	7¼	6¼	7¼	+⅜
Alta Gold	0.06	1	202	⅝	11/32	11/32	-3/32
Altera Co		31	1470	18	17½	17½	-⅛

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AMERICA

Dow holds its own in spite of profit-taking

Wall Street

US SHARE prices were little changed in light trading yesterday as investors and dealers consolidated Monday's record-breaking gains, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down down 1.89 at 3,467.53. The index spent the entire morning session only a few points on either side of opening values. The more broadly-based Standard & Poor's 500 was down 0.64 at 454.07, while the Amex composite was up 1.61 at 418.34, and the Nasdaq composite 0.79 higher at 688.02. Trading volume on the NYSE was 186m shares by 1 pm.

The morning was dominated by profit-taking, as investors sought to book some of Monday's gains. Yet, in spite of the selling, prices held their own, an indication of the resilience of the market, which remains supported by extremely low interest rates, low inflation, and hopes for continued improvements in corporate profitability.

Prices may also have been supported yesterday by further indications from the White House that President Clinton is willing to accomodate more spending cuts in his first budget.

On Monday, reports said that the President would accept an additional $55bn in cuts; by yesterday that figure had risen to $90bn.

Analysts have warned, however, that stock prices could be hit by a short-term correction over the next week or so. Some remain nervous about the Dow's record highs, fearing that prices may have risen too far, making stocks overly expensive in relation to future corporate earnings.

Among individual stocks, banks remained in demand, as investors bought them in the expectation that low interest rates will boost bank earnings. BankAmerica rose $1⅛ to $53¼, aided by a ratings upgrade from the broking house, PaineWebber, Citicorp added another $⅜ at $27⅝, Banc One $1 at $52¾, Wells Fargo $2⅞ at $108¾ and Chemical $⅝ at $42½.

Also in the financials sector, American Express rose $½ to $27½ and Primerica jumped $2⅜ to $42¾ after the two groups confirmed that they are in talks which could lead to Primerica buying the brokerage and asset management operations of American Express' troubled Shearson Lehman unit.

Safeway rose $1⅛ to $13⅞ as investors continued to respond positively to Monday's news that the food retailer's chairman, Mr Peter Magowan, is stepping down as chief executive to run a baseball team in California.

Allied-Signal rose $⅛ to $67¼ after the chairman, Mr Lawrence Bossidy, said that the company was on target to meet its previously announced earnings forecast of between $4.50 and $4.75 a share.

Some leading drug stocks were under pressure, with Merck down $⅜ at $37⅞, Pfizer $⅜ lower at $60⅛ and Bristol Myers-Squibb down $⅝ at $57¼.

Canada

TORONTO recovered from opening weakness but prices were flat in dull midday trading. The TSE 300 index was up 2.24 to 3,553.28 in volume of 20.57m shares.

Shares in the Bronfman group of companies firmed following the release of annual earnings from Hees International and Brascan late on Monday.

Hees International rose C$⅞ to C$9¾ and Brascan class A rose C$¼ to C$11½.

EUROPE

Milan drops on political turmoil fears

BOURSES mostly offered a modest response to Wall Street's overnight gains, *writes Our Markets Staff*, and some of them managed to ignore the Dow altogether.

MILAN faced the spectre of a government in serious trouble, and what was briefly seen as the possibility that the prime minister, Mr Giuliano Amato, might resign. The Comit index fell 17.11, or 3.2 per cent to 511.02 with the biggest casualties in blue chips, small banks and insurers which had outperformed in the recent rally.

News that a lunchtime cabinet meeting was being delayed and that Mr Amato planned to see President Oscar Luigi Scalfaro unnerved investors, already digesting a resignation threat by the justice minister, Mr Giovanni Conso, and more arrests in the ever-widening political bribes scandal.

Mr Robert Meiyer, of Intersim in Milan, said that the market was still taking the bribes scandal in its stride. "But if the government is facing collapse, that is another thing."

Mr John Stewart, of Pastorino and Partners in Milan, added: "The market over-reacted. It certainly looked as if there was some panic selling.

"Some of the correction was expected from a technical point of view: a lot of call options are being exercised due to the end of the account later in the week. But the political situation has also become very problematic and Mr Amato's position is seen to have been weakened."

FRANKFURT got an early boost from Wall Street and a late one from BASF before it closed with the DAX index 18.31, or 1.1 per cent higher at 1,713.13. After hours, the dividend from Hoechst was an opposing influence.

Turnover rose from DM6.6bn to DM8.2bn. Mr Thomas Nolten of B Metzler in Frankfurt said that the DM10 dividend from BASF compared with fears of DM9 or even DM8, and lifted the shares by DM12 to DM240.50. Carmakers reflected the high liquidity in the market, although rises of DM10 to DM491 at BMW and DM12.50 to DM625.50 at Daimler were slightly offset by a 70 pfg fall to DM287.70 in Volkswagen.

The BASF decision led to hopes that Hoechst, too, would pay more than the DM9 expected and Hoechst rose to DM263.50 in the post-bourse against a close DM2.70 higher at DM256.30. Unfortunately, Hoechst delivered DM9 in the afternoon, and the shares came back again to DM257.50.

PARIS persisted with its interest rate cut hopes and the CAC 40 index closed 5.83 higher at 2,009.69. One trader said that buying was centered around smaller companies which had been lagging behind the market.

Remy Cointreau was up FFR8.80, or 6.2 per cent to FFr151.80 while Alsace Supermarche led the winners with a lift of FFr231, or 13.8 per cent to FFr1,911 in 21,000 shares.

Euro Disney rose FFr4.30, or 5.1 per cent to FFr88.80. One analyst said he expected an announcement "any day" from Euro Disney about refinancing its debt so as to benefit from easing European rates, but opinion on the stock remained bearish in a couple of major investment houses.

ZURICH benefited from expectations of lower interest rates and the SMI index added 19.1 to 2,151.3 after peaking at 2,157.0.

Alusuisse bearers rose SFr13 to SFr501 as the company announced an unchanged 1992 dividend and forecast unchanged results for 1993.

AMSTERDAM continued in positive mood, supported by the dollar and Wall Street. The CBS Tendency index rose 1.1 to 103.7.

Philips added 30 cents to Fl 23.60 in active trade as recent US demand was followed up by local investors.

BRUSSELS trading was dominated by Delhaize which closed BFr58 or 4.7 per cent ahead at the day's high of BFr1,292 in response to a profits forecast. The Bel-20 index closed 8.27 firmer at 1,236.12 in turnover of BFr1.635bn.

OSLO's all-share index rose 8.69 or 2.1 per cent to 429.05 in very active trading.

Norsk Hydro and Saga Petroleum each added NKr1.50 to NKr169 and NKr67.50 respectively after Statoil, in which both have stakes, announced its largest oil and gas find in recent years in the Nordland II area of the Norwegian Sea.

DUBLIN seemed to offer a positive response to Wall Street, the ISEQ overall index rising 23.96 to 1,397.43 for a two-day gain of 3.1 per cent, but foreign buying, the possibility of the government's 30 per cent stake in Greencore going into corporate, rather than institutional, hands and, above all, the drop in domestic interest rates were also put up as factors.

Irish interest rates have come down from 13¾ to 12 per cent since February 19, another half-point cut is on the cards and professionals are looking for a fall to 10 per cent or lower by the end of this year.

FT-SE Actuaries Share Indices

March 9 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1161.91	1161.98	1162.60	1164.36	1163.38	1163.24	1163.56	1164.26
FT-SE Eurotrack 200	1233.01	1231.94	1231.73	1233.60	1233.25	1229.81	1230.41	1230.72

	Mar 8	Mar 5	Mar 4	Mar 3	Mar 2
FT-SE Eurotrack 100	1165.04	1159.70	1156.15	1158.99	1156.71
FT-SE Eurotrack 200	1229.32	1225.29	1216.30	1221.03	1211.84

Base value 1000 (26/10/90) High/day: 100 - 1165.71; 200 - 1234.35 Low/day: 100 - 1161.84 200 - 1228.75.

ASIA PACIFIC

Foreign buying supports Nikkei's advance

Tokyo

ACTIVE foreign buying countered profit-taking by investment trust funds, and equities gained further ground in volume of 850m shares, the heaviest trading since September 1991, *writes Emiko Terazono in Tokyo.*

The Nikkei average advanced 161.83 to 17,848.30, making a 6.1 per cent rise over the last two trading days. The index opened at the day's low of 17,724.89 and rose as high as 18,047.16, breaching the 18,000 mark for the first time since September last year. Profit-taking by the investment trusts pared some of the gain during the afternoon.

Volume climbed to almost four times the recent market average, on active buying by arbitrageurs and short-covering by foreign investors. Gains led losses by 761 to 291, with 124 issues unchanged. The Topix index of all first section stocks added 18.87 at 1,339.77, although in London the ISE/Nikkei 50 index closed just 0.32 up at 1,074.97.

In spite of the rise, some derivatives traders were cautious ahead of Friday's price fixing for settlements of March contracts of stock index futures and options. Mr Masa Sato at S.G. Warburg said the market could decline towards the end of the week as the bulk of options positions held by market participants would become profitable if the Nikkei index were to fall below 17,500.

Nippon Telegraph and Telephone was once again the focus of trading. The issue closed unchanged at Y780,000 in active trading after hitting the day's peak of Y829,000. Traders noted profit-taking by investment trusts. Fujikura, a cable maker closely linked to NTT, retreated Y11 to Y599 on profit-taking.

Foreign investors sought steel and electrical issues. Nippon Steel, the most active issue of the day, put on Y10 at Y317, NKK Y8 at Y265, Hitachi Y26 at Y747 and NEC Y56 at Y767.

Companies with close ties to the Japan Railway Group firmed on speculation that the issues will benefit from the expected listing of JR East later this year. Nippon Signal, the railway signal maker, moved ahead Y20 to Y1,360, while Tekken, a construction company and contractor for JR companies, gained Y13 at Y773.

Aids-related shares firmed on active buying by speculators. Ube Industries ended Y30 higher at Y390 and Nippon Zeon Y16 dearer at Y588.

In Osaka, the OSE average was 309.16 firmer at 18,793.44 in volume of 212.4m shares. Pharmaceuticals, electronics and constructions were among leading gainers. Nintendo, the video game maker, climbed Y320 to Y10,200.

Roundup

POLITICAL events again dominated some of the larger Pacific Rim markets.

HONG KONG took heart from renewed prospects of Sino-British talks soon and shares resumed their record-breaking run. The Hang Seng index finished 25.84 stronger at an all-time high of 6,508, having touched 6,557.10 during morning trading. Turnover improved to HK$4.62bn. The previous record of 6,502.81 was set last Friday.

Banks were the best blue chip performers, with HSBC rising HK$1 to HK$70. Hang Seng Bank closed HK$2.50 up at HK$69.50 after touching HK$70. Electronics companies were ahead on expectations of improved sales to the US.

AUSTRALIA tried to take its lead from events on Wall Street, but continuing election nerves held gains in check and the All Ordinaries index ended 16.6 firmer at 1,633.7.

Retail trade and jobs vacancies data helped the mood. Retail stocks fared well, notably Coles Myer, which rose 11 cents to A$4.75 as retail trade figures boosted hopes for its interim results, due tomorrow.

SINGAPORE was mixed, with banks continuing to shed some of their recent gains. The Straits Times Industrial index eased 3.32 to 1,657.72 in volume of 221.9m shares. OCBC Foreign declined 30 cents to S$11.70 and UOB Foreign dipped 15 cents to S$8.95. Inchcape was 15 cents lower at S$6.05.

BOMBAY suspended trading around midsession after shares came under unrelenting selling pressure. The BSE index fell by 132.64, or 5.4 per cent, to 2,318.56 before trading was stopped by the authorities because of the "abnormal movement" of prices.

TAIWAN saw particular weakness in financials as the weighted index receded 127.11, or 2.8 per cent, to 4,474.47.

Tenuous balance beneath Bovespa's calm exterior

Bill Hinchberger analyses Brazil's equity market

Brazilian stock markets have seemed remarkably immune to the political and economic instability that surround them. Yet underneath their calm exterior, it appears that the balance is tenuous, provided by a jittery combination of push and pull.

Last week, after Mr Paulo Haddad resigned as finance minister and Mr Itamar Franco, the Brazilian president, named Mr Eliseu Resende as his replacement – a nomination widely criticised by politicians and business people alike – the São Paulo, or Bovespa, index lost just 1.4 per cent.

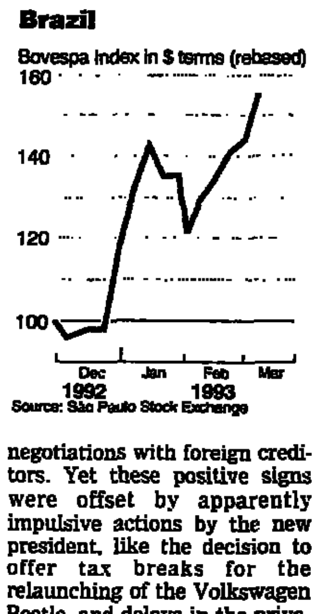
Inflation of about 5 per cent during the week boosted the drop in real terms, but on Monday of this week the market rebounded with an 8.1 per cent surge, to 14,974, making up the losses. Most traders agreed that Monday's jump was primarily due to defensive moves by investors, worried about potential politico-economic initiatives, shifting out of fixed interest stocks. Yesterday the Bovespa was a further 3.2 per cent ahead at noon.

Before the ministerial shakeup, Brazilian equities were up with the leaders among emerging markets. In the two months to end-February they showed an increase in dollar terms of 21.7 per cent, according to figures from the International Finance Corporation in Washington, outpaced by only Turkey and Taiwan.

From December to February, the Bovespa index gained 207 per cent, compared with inflation of 99 per cent for the period. In December, improvement was primarily sparked by the end of the political crisis that had dragged on for most of 1992, ending with the resignation and impeachment of the former president, Mr Fernando Collor de Mello, after Christmas.

In January and February, the market reacted favourably to gradual reform – the passage of port modernisation legislation, steps towards fiscal reform, and advances in debt negotiations with foreign creditors. Yet these positive signs were offset by apparently impulsive actions by the new president, like the decision to offer tax breaks for the relaunching of the Volkswagen Beetle, and delays in the privatisation programme.

Brazil



Source: São Paulo Stock Exchange

The biggest beneficial push was provided by the passage of legislation to allow public electric utility companies to set rates according to their costs, without interference by central authorities. Large industrial users currently pay about $45 per megawatt hour, compared with an average generating cost of $70 per megawatt hour.

The prospect of higher prices made leading utility equities appear as attractive as stock in Telebras, the state-controlled telecommunications holding company that customarily accounts for half of daily trading in São Paulo.

Eletrobras, the federal electricity company, gained 122 per cent in real terms in February. Cemig, the utility concern in Minas Gerais state, jumped 191 per cent in real terms during the month.

Foreign investors might put $1bn into the electric sector this year, either by shifting from current Brazilian holdings or through new investment, ventured Mr Edmund Games – a vice-president of the US investment house Scudder, Stevens & Clark, and portfolio manager for the Brazil Fund, a closed end fund which trades on the New York Stock Exchange – during a mid-February visit to Rio de Janeiro.

However, politics are a potential wild card. As Mr Resende gets settled into office, conjecture will give way to reaction to real events. Today, the Senate is scheduled to pass final judgment on a financial transactions tax which, says Mr Franco, is necessary to help balance the federal budget.

Share prices and stock market liquidity are still low. The 593 companies traded on the Rio de Janeiro exchange closed 1992 with an average book value of 28 per cent. This contributed to make February the third month in the last five with no new public share issues.

Foreign investors are tempted, but playing safe. "The vast majority are cautious," Mr Robert Barclay, president of Baring Securities Brasil, says. "They are waiting for a clear sign that economic reform is moving forward. Yet they are all terrified of missing out."

SOUTH AFRICA

JOHANNESBURG analysts said that results from the diamond giant, De Beers, were at the top end of expectations and lifted the market.

De Beers was R2.60 higher at R68.85, while the overall index advanced 34 to 3,425, industrials moved forward 28 to 4,449 and golds appreciated 14 to 1,012.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MARCH 8 1993								FRIDAY MARCH 5 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992/93 High	1992/93 Low	Year ago (approx)
Australia (68)	133.97	−0.1	137.40	98.74	115.79	126.30	+0.2	3.89	134.12	137.52	99.75	116.24	126.01	153.68	108.18	144.15
Austria (18)	148.63	−0.1	152.45	109.55	128.47	128.34	−0.1	1.75	148.78	152.54	110.65	128.94	128.49	186.70	131.16	172.45
Belgium (42)	142.62	+0.7	146.27	105.11	123.26	120.46	+0.8	5.01	141.66	145.25	105.35	122.77	119.48	152.27	131.19	138.34
Canada (113)	123.78	+1.3	126.95	91.23	106.98	111.45	+0.8	3.00	122.20	125.29	90.87	105.90	110.52	142.12	111.36	132.36
Denmark (33)	203.07	+0.7	208.28	149.67	175.52	176.14	+0.4	1.31	201.71	206.82	150.01	174.82	175.44	273.94	181.70	240.22
Finland (23)	74.48	−0.6	76.39	54.90	64.38	93.47	−1.5	1.47	74.94	76.84	55.73	64.95	94.92	89.80	52.84	79.57
France (98)	157.72	+0.8	161.77	116.24	136.31	139.35	+0.5	3.22	156.42	160.38	116.32	135.55	138.69	168.75	136.93	154.13
Germany (62)	112.51	+0.9	115.40	82.94	97.25	97.25	+0.6	2.35	111.49	114.31	82.93	96.62	96.62	129.69	101.59	119.00
Hong Kong (55)	260.20	−0.7	266.87	191.78	224.91	258.28	−0.7	3.55	262.08	268.71	194.90	227.15	260.18	262.28	176.36	201.30
Ireland (16)	139.90	+1.7	143.49	103.11	120.92	134.60	+1.0	3.90	137.62	141.10	102.34	119.27	133.23	173.71	122.98	160.00
Italy (75)	62.48	−1.9	64.09	46.05	54.00	73.59	−1.8	2.75	63.69	65.30	47.36	55.20	74.92	80.86	47.47	71.20
Japan (472)	113.57	+5.2	116.48	83.71	98.17	83.71	+4.2	1.00	107.98	110.71	80.30	93.59	80.30	140.95	87.27	111.92
Malaysia (69)	279.28	+0.5	286.45	205.83	241.38	281.38	+0.4	2.34	277.77	284.80	206.56	240.73	280.18	282.42	212.49	238.20
Mexico (18)	1534.49	+1.9	1573.86	1130.99	1326.31	5204.32	+1.9	1.15	1506.12	1544.24	1120.06	1305.31	5109.76	1789.77	1185.84	1685.50
Netherland (25)	162.70	+0.8	166.88	119.92	140.63	138.68	+0.4	4.14	161.44	165.52	120.06	139.92	138.08	169.70	147.88	150.24
New Zealand (13)	45.82	+1.1	46.99	33.77	39.60	46.22	+1.2	4.73	45.34	46.49	33.72	39.29	45.69	48.52	37.39	44.82
Norway (22)	143.35	+1.9	147.03	105.66	123.91	137.03	+1.9	1.93	140.61	144.17	104.57	121.87	134.50	192.95	128.05	166.99
Singapore (38)	221.87	−0.4	227.56	163.53	191.76	168.39	−0.3	1.97	222.73	228.37	165.65	193.03	168.90	229.63	179.65	201.60
South Africa (60)	163.80	−0.5	168.01	120.73	141.58	163.80	+0.1	3.07	164.65	168.82	122.45	142.69	163.57	263.60	134.21	214.26
Spain (46)	128.18	+1.1	131.47	94.48	110.79	114.63	+0.6	5.25	126.76	129.98	94.27	109.85	113.98	161.72	107.10	154.94
Sweden (36)	168.80	+2.2	173.13	124.42	145.91	190.42	+0.7	2.04	165.13	169.30	122.80	143.11	189.14	200.28	149.69	182.51
Switzerland (56)	111.46	+0.4	114.32	82.16	96.35	106.28	−0.1	2.04	111.01	113.82	82.56	96.22	106.40	122.37	95.99	97.86
United Kingdom (226)	172.19	+1.1	176.61	126.90	148.82	176.61	+1.1	4.15	170.31	174.62	126.65	147.59	174.62	200.07	161.86	175.55
USA (523)	185.51	+1.9	190.27	136.74	160.35	185.51	+1.9	2.73	182.14	186.75	135.46	157.86	182.14	185.51	160.92	165.52
Europe (778)	141.10	+0.8	144.72	104.00	121.96	134.76	+0.6	3.47	139.94	143.48	104.07	121.29	133.92	156.88	131.31	143.79
Nordic (114)	154.48	+1.6	158.44	113.86	133.52	153.76	+0.5	1.80	152.08	155.92	113.10	131.80	153.03	188.52	141.24	174.28
Pacific Basin (715)	119.01	+4.4	122.06	87.72	102.87	90.25	+3.6	1.33	113.99	116.87	84.77	98.79	87.10	141.97	93.70	115.88
Euro−Pacific (1493)	127.93	+2.8	131.21	94.28	110.56	107.85	+2.2	2.29	124.48	127.63	92.57	107.88	105.48	145.21	113.80	127.29
North America (636)	181.67	+1.8	186.34	133.92	157.05	180.49	+1.8	2.74	178.41	182.93	132.70	154.65	177.28	181.67	158.70	163.41
Europe Ex. UK (552)	121.87	+0.6	125.00	89.84	105.36	111.55	+0.3	3.00	121.09	124.15	90.07	104.97	111.24	132.98	111.33	124.29
Pacific Ex. Japan (243)	172.39	−0.2	176.81	127.06	149.02	156.19	−0.1	3.41	172.82	177.19	128.54	149.79	158.41	175.31	146.06	154.97
World Ex. US (1684)	129.02	+2.7	132.33	95.10	111.52	109.84	+2.2	2.31	125.67	128.85	93.47	108.92	107.51	146.91	115.99	129.42
World Ex. UK (1981)	144.67	+2.5	148.38	106.63	125.05	128.85	+2.1	2.30	141.20	144.77	105.01	122.38	126.16	150.58	127.21	137.30
World Ex. So. Af. (2147)	147.07	+2.3	150.84	108.41	127.13	132.72	+2.0	2.48	143.70	147.34	106.88	124.55	130.05	153.05	130.04	140.14
World Ex. Japan (1735)	168.18	+1.4	170.44	122.49	143.66	161.94	+1.3	3.01	163.96	168.11	121.95	142.12	159.89	168.18	151.93	157.08
The World Index (2207)	147.07	+2.3	150.85	108.40	127.13	133.03	+2.0	2.49	143.74	147.37	106.90	124.58	130.38	153.70	130.66	140.62

Constituent changes with effect from 10/3/93: Addition: KNP BT (Netherlands). Deletions: KNP, Buhrmann-Tetterode (both Netherlands) and Centel Corp. (U.S).Latest prices were unavailable for this edition.